

Employment Strategy Papers

Characteristics and determinants of youth unemployment, underemployment and inadequate employment in Ethiopia

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Preface

This working paper is a contribution to the Employment Policy Unit's research programme on youth employment in developing countries being undertaken in the 2004-05 biennium. The research programme is intended to (i) gather strong empirical evidence on the characteristics and determinants of youth employment in developing countries; (ii) based on this sound empirical base, derive policy recommendations appropriate to the developing country context; and thus (iii) enhance the capacity of the member States and the social partners to design and implement policies and programmes for promoting youth employment. The research programme includes 7 country case studies drawn from various regions of the developing world. These studies will be used as the basis for the major output of the programme, a synthesis report on youth employment policy in developing countries.

Youth employment is a pressing issue in Ethiopia where almost two-thirds of the population are younger than 25 years. Disguised unemployment is a feature of the rural labour market while open unemployment is prevalent in urban areas. Indeed, Ethiopia has one of the highest urban unemployment rates worldwide, at about 50 per cent of the youth labour force. Some of the main causes of the youth employment problem in Ethiopia are a fall in aggregate demand due to the war with Eritrea, the 2001 drought and, in general, weather circumstances; lack of skills; low availability of investment, capital, risk absorption capacity and financial management skills; limited market accessibility; and the absence of youth in decision making or implementation of policies affecting them.

In spite of the pressing youth employment challenge, youth issues were given only limited attention in the development policies of the country until recently. The current policy emphasis on the promotion of the private sector, expanding investment to improve the productivity of agriculture and introducing off-farm non-agricultural activities for the purpose of employment diversification in rural areas has resulted in some recovery and overall macroeconomic stability in the country. The role of the private sector has improved in recent years, but compared to the daunting economic and social problems the country is experiencing, much remains to be done. Aggressive policy measures that stimulate private investment need to be implemented. Ensuring the sustainability and survival of the enterprises created is crucially important for employment creation.

This study is the result of two background papers authored by Abraham Tekeste and Berhanu Denu and put together by Hannah van der Deijl. Grateful thanks are due to Bedada Urgessa of the ILO-SRO in Addis Ababa for his commitment and support throughout the exercise. Laura Brewer, Sara Elder and Sabrina De Gobbi of the ILO in Geneva provided helpful comments to improve the paper. Claire Harasty of the Employment Policy Unit is in charge of the overall research programme and supervised the preparation of the country case study.

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Introduction

A high level of un- and underemployment is one of the critical socio-economic problems facing Ethiopia. While the labour force grows, with an increasing proportion of youth, employment growth is inadequate to absorb labour market entrants. As a result, youth are especially affected by unemployment. Moreover, young people are more likely to be employed in jobs of low quality, underemployed, working long hours for low wages, engaged in dangerous work or receive only short term and/or informal employment arrangements.¹

The inadequate employment situation of youth has a number of socio-economic, political and moral consequences. Unemployment and underemployment reflect the failure to make use of an important factor of production, labour, for fostering economic growth. According to ILO figures, the Sub-Saharan Africa region has the highest rate of youth unemployment (18.4 per cent) after the Middle East and North Africa (21.3 per cent). If this trend persists, it will have considerable effects on human capital in the region, as well as on the region's economic potential. Creating decent and productive work for young people in the Sub-Saharan region could result in a potential GDP increase of 12 to 19 per cent.²

Low returns to labour as well as high unemployment indicates poverty. Poverty makes it difficult to make investments in education and health that would increase a person's productivity. This is not only true for individuals; families face an inter-generational poverty trap. Families face the choice between sending their children and young family members to school and sending them to earn much-needed income.

The social aspects of the problem lie in the association of unemployment with social exclusion and a sense of hopelessness. Structural unemployment and widespread poverty were believed to be the basis for the riots and violent demonstrations by youths in Addis Ababa in April 2001, upsetting the seemingly peaceful and stable political situation. The incident resulted in many deaths and destruction of property worth millions of dollars.

On the other hand, positive experiences show that poverty reduction and sustainable growth can create a new cycle of opportunity and local wealth creation. Youth issues have recently gained worldwide attention, as the United Nations has set the improvement of the youth employment situation as one of the targets of the Millennium Development Goals (MDG's). One of the MDG's aims is developing and implementing strategies that ensure decent and productive work for youth. The youth unemployment rate serves as an indicator of the success of the strategies applied for job creation. In Ethiopia, the rate was 11.9 per cent in 1999, with a ratio of 1.9 to the adult unemployment rate. Moreover, even within the group of employed, there is large extent of underemployment. The international commitment also necessitates a detailed assessment of the situation of youth in Ethiopia so that appropriate policy inputs can be formulated.

The radical policy and administrative reforms that were undertaken in Ethiopia since the 1990s they are expected to significantly affect the conduct and performance of the labour market in general, and the youth labour market in particular. The impact of these policies needs to be analysed in order to either deepen the reforms or replace them with other, more effective policies that improve the employment position of the youth population and thereby also promote economic growth and create a stable social and political environment in the country.

This paper is designed to describe and analyse the nature and possible causes of youth un- and underemployment in Ethiopia. The paper focuses mainly on the time period after 1980, due to limited availability of labour market data before that period. The study is mainly empirical in nature, relying on simple statistical techniques and critical analysis of data and literature. The study heavily relies on the statistical data of the country's Central Statistical Authority (CSA) for the period 1984-2001. Other sources of data include the Ministry of Labour and Social Affairs, Ministry of Youth and Sports, Ministry of Education, Federal and Regional Civil Service Commissions, Regional Labour Offices, Regional Youth Bureau, Federal and Regional Micro and Small Scale Enterprise Agencies.

¹ Cheng 2001; O'Higgins 2003; Salih 2001; Visaria 1998, Haftendorn and Salzano 2004.

² GET for Youth, ILO 2004.

The paper is organized as follows: in section one, data is presented on the labour market situation of youth within the context of the economic situation of Ethiopia. Section two goes on to describe some of the main determinants of youth labour market outcomes in Ethiopia.

1. The labour market situation of youth in Ethiopia

1.a The labour market in Ethiopia

This section gives a general overview of the labour market situation in Ethiopia, presenting data on the economy and population, as well as on the institutional background and some key labour market findings.

1.a.1 Economic background

Ethiopia remains one of the world's poorest countries with a per capita income of just US\$102 in 2003, or approximately US\$800 at purchasing power parity. The proportion of the population living below the poverty line of less than one dollar a day at purchasing power parity is estimated to be 2 per cent for 2000, while 78 per cent of the population lived on less than two dollars a day (again, at purchasing power parity).³ The economy is predominantly agricultural, as the agricultural sector accounts for about 80 per cent of employment, and about 50 per cent of GDP.

Ethiopia's experienced diverse economic systems over the last half a century. The economic system shifted from being market-oriented during the imperial (pre-1974) period to a socialist system during the military Derg regime (1974–1991) and then back to a market orientation under the current government. The new market-oriented government that took power in May 1991 formally adopted a stabilization and structural adjustment programme supported by the IMF and the World Bank in 1991/92.⁴ Strategies of the current government to ease the problem of unemployment include the deepening of the market-oriented economic reforms, improving the productivity of the agricultural sector, and promoting the private sector as a means of achieving off-farm employment and as an engine for economic growth.⁵

Regarding the performance of the economy, GDP growth is generally highly volatile, for example reaching 11.6 per cent for 2004⁶ but contracting by 2 per cent for 2003 (due to a drought). Table 1 shows some figures. Although real GDP increased on average over the period between 1982 and 1991, GDP per capita actually contracted by 1.1 per cent on average per year. The economy showed some recovery and growth in the 1990s. Growth of real GDP and real GDP per capita were 4.5 per cent and 1.8 per cent respectively between 1992–2001. Despite somewhat higher growth, the poverty and employment situation did not improve much. The government calculated that a growth of 5.7 per cent per year is needed to reduce poverty in half by 2015.⁷

Gross domestic investment has also shown some growth in recent years mainly due to the increase in the private sector investment. Finally, the average annual rate of inflation was 4 per cent over the period 1993 to 1998⁸, and was estimated at 2.4 per cent for 2004.⁹

³ MOFED 2002.

⁴ PMAC 1975a, 1975b, World Bank 1989, Abegaz 1999, Degefe and Nega 2000, ECA 2002, IMF 1999, MEDaC 1999 and World Bank 2002 provide an account of the stabilization and adjustment programmes implemented since 1993.

⁵ MOFED 2002: viii.

⁶ CIA world fact book.

⁷ Ethiopia's SDPRP, 2002, p. 42.

⁸ <http://www.ethioworld.com/Business&Economy/economystatistics.htm>

⁹ CIA world fact book.

Table 1: Macroeconomic indicators for Ethiopia (1982-2001)

| Sector/Indicator | 1982-86 | 1987-91 | 1992-96 | 1997-2001 |
|---|---------|---------|---------|-----------|
| <i>Average annual percentage change</i> | | | | |
| Real GDP | -0.4 | 3.9 | 4.6 | 4.7 |
| Real GDP per capita | -3.0 | 0.9 | 1.8 | 2.0 |
| Agriculture ¹ | -1.5 | 5.5 | 3.6 | 2.3 |
| Industry ¹ | 6.2 | -5.3 | 8.4 | 6.1 |
| Manufacturing ² | 4.4 | -5.0 | 11.2 | 3.9 |
| <i>Percentage of GDP</i> | | | | |
| Gross domestic investment | 13.5 | 13.8 | 14.4 | 16.3 |
| Gross domestic savings | 5.7 | 7.1 | 5.8 | 3.1 |

¹Data from ECA (2002) and MEDaC (1999a, 2000a).

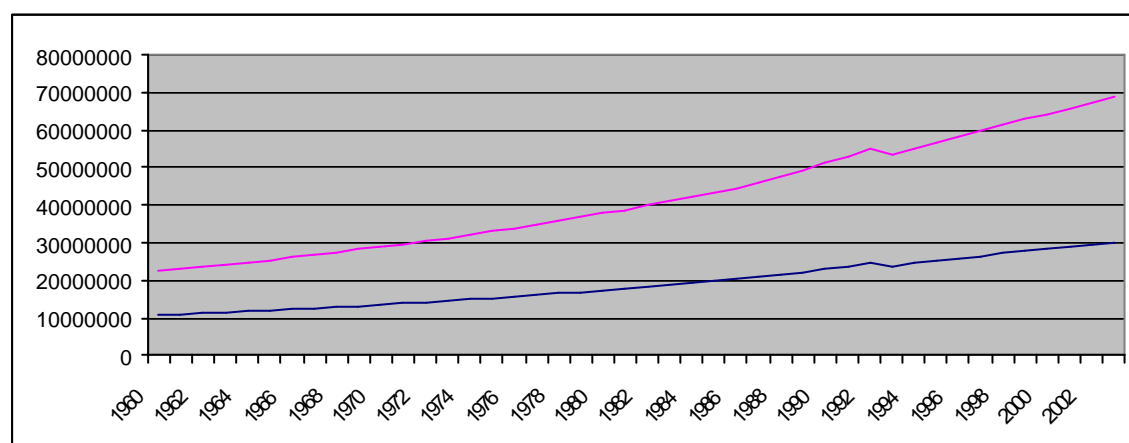
²Figures are for 1997-2000 only.

Source: World Bank (2002).

1.a.2 Population

Ethiopia has experienced high population growth in the past decades (see figure 1), increasing on average by 3.6 per cent per year between 1980 and 2005. Total population is projected to reach 73 million in 2005, making Ethiopia the second most populous country in Sub-Saharan Africa after Nigeria. Urbanization has grown over the past two decades, as the proportion of the population living in urban areas increased from about 11 per cent in 1984 to 16 per cent in 2005. The literacy rate is less than 40 per cent.

Figure 1: Growth of population and labour force, 1960-2005



Source: CSA (1991, 1999a, 1999b).

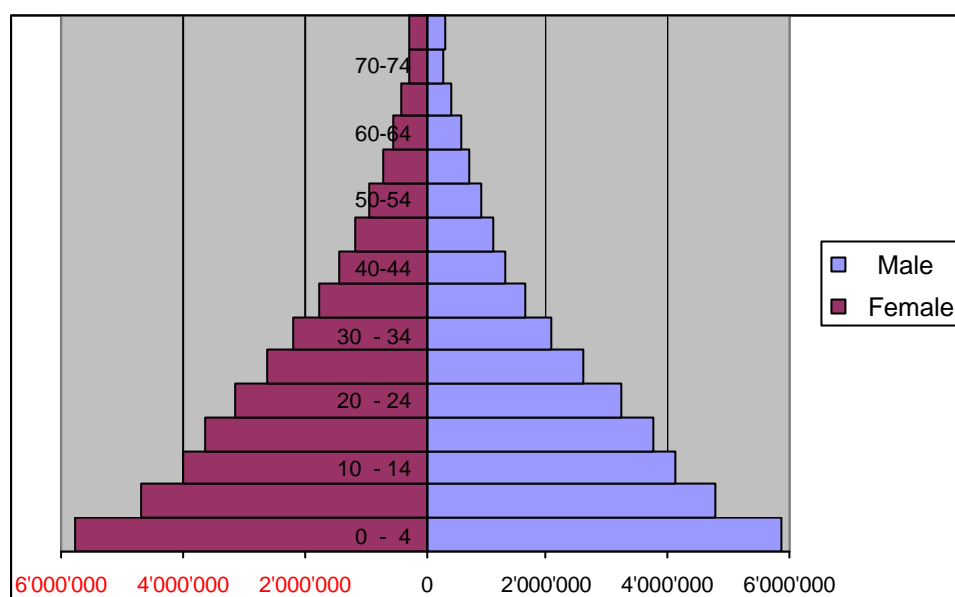
Population growth has resulted in an annual addition of about 2 million members to the labour force. The absolute size of the national labour force was estimated at 12.9 million people in 1984. Over the subsequent decade the size of the labour force increased, reaching an estimated 32.2 million people in 2005, with an annual average increase of 3.2 per cent. Unless the demand for labour concomitantly expands, such fast growth in the supply of labour force exacerbates the inadequate employment situation in the country.

Ethiopia's population pyramid is very steep (figure 2). Correspondingly, the number of dependants per 100 non-dependant persons is very high, with 93.¹⁰ Both the population and the labour

¹⁰ HIV/AIDS and work: global estimates, impact and response, main table 1.

force are expected to continue to grow in the future.¹¹ The fertility rate is estimated to be 5.3 children per woman in 2005. At the same time, the infant mortality rate is still among the highest in the world, with 95.32 deaths per 1,000 live births.¹² Life expectancy at birth is only 45 years for the period 2000-2005.

Figure 2: population pyramid 2002



Note: Estimates, de facto.

Source: UN Statistics Division, Demographic Yearbook 2002 (www.unstats.un.org/unsd/demographic/products/dyb/dyb2.htm).

Factors that explain low life expectancy include multiple infectious diseases, among which malaria and AIDS. Of the adults between 15 and 49, 4.4 per cent lives with AIDS.¹³ The number of individuals with HIV/AIDS in the labour force is 1.4 million. It is estimated that the GDP loss per capita that can be attributed to HIV/AIDS per year is 2 per cent.¹⁴

1.a.3 Institutional framework

The latest development strategy of the Ethiopian government was formulated in its 2002 Sustainable Development Poverty Programme. The programme does not formulate an explicit employment strategy, but it treats relevant issues such as private sector development in the context of an overall development strategy.

Furthermore, The Ministry of Labour and Social Affairs (MOLSA) and the Ministry of Youth, Sport and Culture (MOYSC) deal with the issues of employment and youth employment, respectively. The Ministry of Youth, Sports and Culture created the National Youth Policy in March 2004, defining youth as individuals aged between 15-29. Thus, youth includes those aged 25-29 in addition to the youth age bracket defined by the UN (15-24 years). The policy formulates goals on a wide variety of issues, including HIV/AIDS, economic development and education.

Regarding labour legislation, a new labour proclamation was issued in 2003, repealing the 1993 text. Ethiopia also ratified a large number of international treaties. The 1993 Labour Law¹⁵ itself was a drastic revision made after the end of the Derg regime. In contrast to the previous labour law, the new labour law provides market-oriented and decentralized recruitment and employment procedures, allows free mobility of labour, and introduces flexibility in cancellation and modification of contracts of

¹¹ Woldehanna, Gute & Ferede, p. 81.

¹² CIA world fact book, estimate for 2005.

¹³ CIA world fact book.

¹⁴ HIV/AIDS and work: global estimates, impact and response, main table 1.

¹⁵ TGE 1993.

employment as well as laying-off of workers. The new government also formally suspended the public sector employment guarantee system for college and university graduates in 1993.

Areas of regulation in the 2003 Law include employment relations; wages; hours of work; regulations on taking leave; occupational safety; health and working environment. Moreover, relations between trade unions and employer associations are regulated, as well as labour disputes. Finally, there is a specific section on the working conditions of women and young workers.¹⁶

Several provisions are of importance to this study. In accordance with international conventions on working hours, the labour code specifies that individuals are allowed to work up to 48 hours a week; the hours should be distributed evenly.¹⁷ Any extra work is considered overtime and is allowed up to two hours a day. For young workers, normal hours of work should not exceed seven hours a day.¹⁸ Furthermore, Ethiopian law states that it is illegal for those below 14 years of age to work, despite their high participation rate.

Ethiopia's Labour Law Proclamation No. 42/93 (1993) provides for the establishment of trade unions and employers associations. There are several regional trade union confederations and nine trade unions and one employer's federation at the federal level. However, in Ethiopia, since the formal sector is dominated by the public sector, the role of the trade unions in determining labour market outcomes is minimal. Also, due to difficulties with enforcement, the impact of the minimum wage legislation on the employment decisions of employers is limited.¹⁹ Innovations in the 2003 labour law include several measures to enhance social dialogue, such as the abolishment of a trade union monopoly.

During the period of economic command system between 1974 and 1991, recruitment in the formal sector (which was largely government owned) was highly centralized. Job seekers were required to register with the Employment Exchange Offices while employers were expected to inform the Offices about any vacancies they might have. With the transition to a market-oriented economic system the service was supposed to be enhanced. The employment guarantee system for graduates of higher education was put to an end. In practice, however, the incentive to register with the employment exchange office vanished. In the absence of these services young job applicants could experience difficulties obtaining information about employment opportunities. The disadvantaged groups among youth, e.g. the poor, the uneducated, the disabled, etc., are likely to be more affected by the absence of a well-functioning national employment service.

1.a.4 Labour market characteristics

A few features of the Ethiopian labour market stand out. Firstly, more than 80 per cent of the total labour force is employed in subsistence agriculture. A relatively small increase in productivity and a shift towards industry was observed after the reforms of the early 1990s. The growth rate in the agricultural sector is highly volatile, dependent on the weather conditions.²⁰

As shown above, the labour force has grown at a fast pace and is expected to do so in the future - projected to double over the next twenty-five years. Despite recent economic growth, there has been insufficient employment creation. Employment levels vary strongly by location, gender, education and age but not by ethnicity. Most employed individuals are illiterate, and most are casual workers.

Open unemployment is a 'middle-class phenomenon' and can be explained as middle-class queuing for government jobs.²¹ The average duration of unemployment is quite high, with 48 per cent of the registered unemployment lasting longer than 12 months.²² Underemployment is prevalent. Due to the high level of poverty, individuals seek some form of employment, even if no full-time job is available. As a result, the informal economy is gaining in importance. About 4.8 million people were employed in the informal sector in 1999, mainly in rural areas. Productivity is low in this sector.

¹⁶ Labour Proclamation No. 377/2003.

¹⁷ Buckley, Casale and Fashoyin 2004, p. 29.

¹⁸ Article 90 of Labour Proclamation No. 377.

¹⁹ See Buckley, Casale and Fashoyin 2004 for an extensive review.

²⁰ Woldehanna, Guta and Ferede, 2005, p. 15.

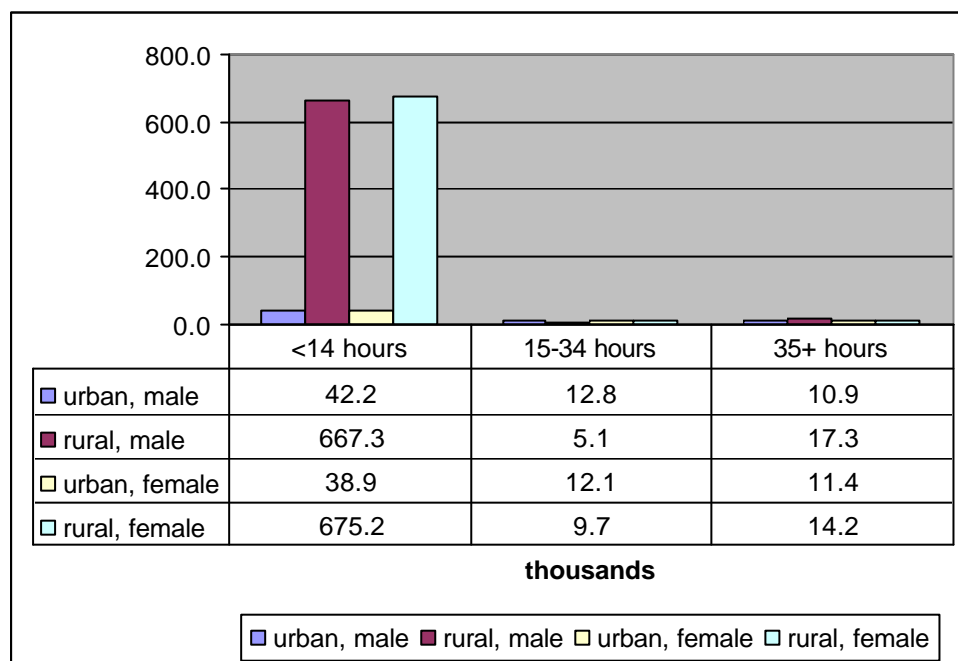
²¹ Woldehanna, Guta and Ferede, 2005, p. 13, p. 48, CSA 1999.

²² CSA, April 2004.

The activity rate of the working-age population was 72 per cent in 1999. This high participation rate, which is close to the highest rates in the world (73.2 per cent for East Asia in 2003), can be explained by the large extent of disguised underemployment.²³

Child labour is a feature of the Ethiopian labour market. The *Child Labour Force Survey of 2001* estimates participation of children below 14 at 83.1 per cent. Figure 3 gives an indication of the amount of hours worked by employed children, showing that the main category of children working are those working less than 14 hours and living in rural areas (96 per cent) and 61 per cent are boys. As to the employment status of children, 56 per cent were contributing family workers, and 39 per cent were engaged in domestic activities.²⁴ Almost half of the employed children attended classes. Although this study focuses on youth employment, it is relevant to note the existence of child labour as it influences the choices these children face once they enter the market as young adults.

Figure 3: Child employment, distribution and total number of hours worked, 2001



Source: CSA 2002.

1.b Profile of the Ethiopian youth population

The absolute size of the youth population and the proportion of young people as a percentage of the total population have grown over the last two decades. Most of youth resides in rural areas, is illiterate and more than a third of the youth population is married.

1.b.1 A growing youth population

Over the past two decades, youth between the ages 15 and 24 increased by 7 per cent per year on average. As can be seen in table 2, the share of the youth population also increased, both for youth as defined by the UN (15-24) and as defined in the Ethiopian Youth Policy (15-29).

²³ Woldehanna, Gute and Ferede, p. 25.

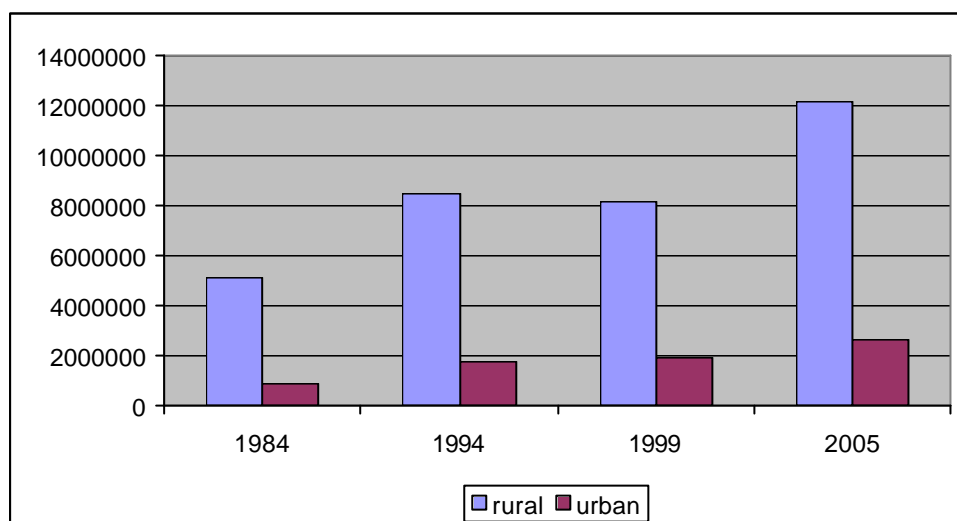
²⁴ ILO EAMAT database.

Table 2: Youth population (in millions)

| | 1984 | | 1994 | | 2005 | |
|-------|---------|-----------------|---------|-----------------|---------|-----------------|
| | Million | % of population | Million | % of population | Million | % of population |
| 15-24 | 6 | 14 | 10.3 | 18 | 14.8 | 20 |
| 15-29 | 8.6 | 20 | 14.1 | 26 | 20.7 | 28 |

Note: The 2005 figures are a projection by the CSA.

Source: CSA 1991, 1999.

Figure 4: Size of population, rural vs. urban

Note: The figures for 1999 were underestimated due to the exclusion of two regions. The figures for 2005 are a projection by CSA.

Source: extracted from CSA (1991, 1999a, 1999b).

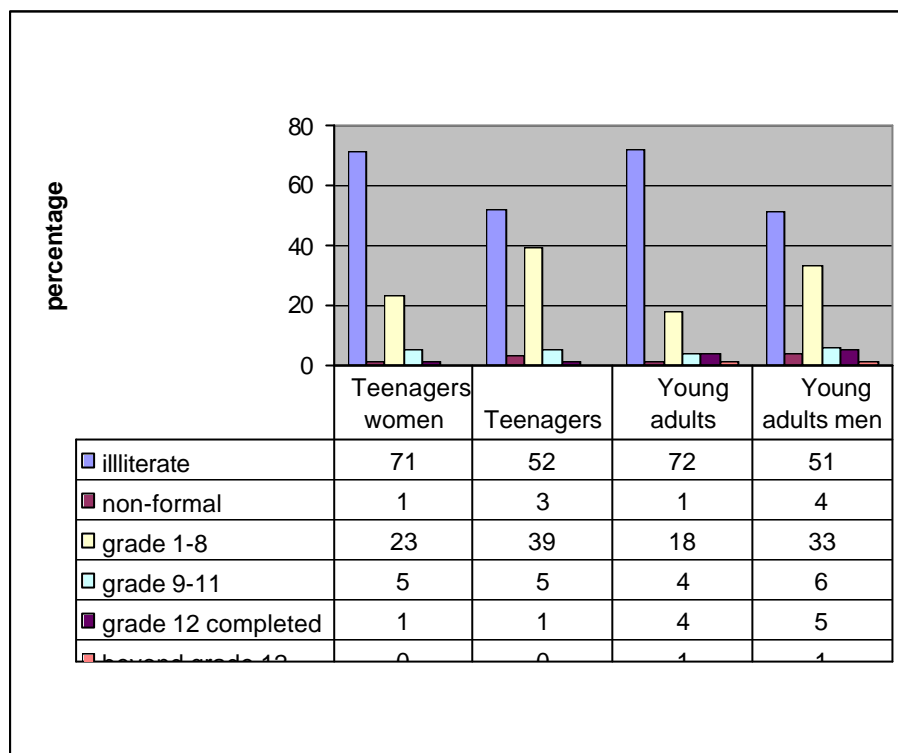
Although the majority of the youth population still reside in rural areas, the proportion of urban youth has shown some growth over the last two decades (14 per cent in 1984 compared to 17 per cent in 1994 and 18 per cent in 2005). Thus the proportion of youth living in urban centres is higher than the proportion of the total population residing in urban centres. This might reflect the higher propensity of youth to migrate. Also, a higher rate of children may survive in the cities, due to better living standards.

1.b.2 Literacy and educational attainment

The literacy rate among Ethiopian youth is low (figure 5). The proportion of the illiterate youth population was 62 per cent in 1999. An additional 28 per cent of the youth population attained only primary school education (Grade 1-8). Only 2 per cent of youth completed secondary school (Grade 12), and only 1 per cent of the youth population attained education levels beyond Grade 12. Gender disparities are high; the illiteracy rate among female youths is 71 per cent compared to only 51 per cent among male youth. Male youth have higher levels of education than young women.

From the *Urban Bi-Annual Employment/unemployment Survey of 2004*, some more information can be obtained about the literacy rate of urban youth (figure 6 below). There are two limitations when making comparisons between the 1999 and the 2004 figure. Firstly, different categories were used, and secondly, the time period and area covered varied between the two studies. Therefore, it is difficult to compare the figures.

Figure 5: Youth population literacy status 1999



Source: Compiled from CSA (1999).

That being said, literacy rates are much higher among urban youth. It is clear that a higher percentage of teenagers have completed primary education, whereas a higher percentage of young adults have completed general education. Teenagers are still pursuing their education. The lower percentage of teenagers (11.2 per cent) as compared to young adults (16.4 per cent) that is illiterate seems to indicate an improvement over time.

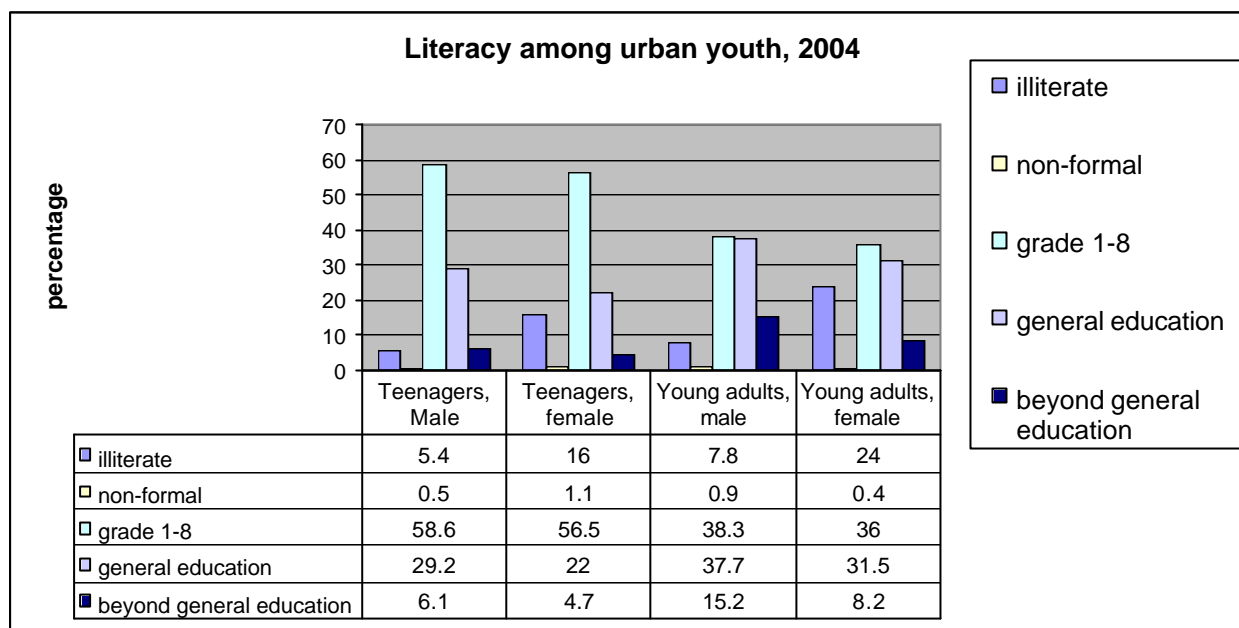
Looking at differences across gender, a larger percentage of urban young women remains illiterate, and a lower percentage achieves education beyond general education. However, the percentages for the completion of primary education and of general education are quite similar between young men and women. Overall, it is evident that urban youth are better educated than their rural counterparts, and the gender gap in attainment has reduced.

Educational coverage has grown rapidly over the past years. The literacy rate of the total youth is expected to be higher than the figures presented in figure 6 indicate. Between 1995 and 2003, the primary gross enrolment ratio more than doubled, increasing from 26.2 per cent to 64.4 per cent, while secondary gross enrolment almost tripled over the same period (6.6 per cent in 1995 to 19.3 per cent in 2003). Despite such improvement, disparities among girls and boys remain significant. The primary and secondary gross enrolment ratios of males in 2003 were respectively 74.6 per cent and 24 per cent, while the corresponding figures for women during the same year were 53.8 per cent and 14.3 per cent respectively. These last figures reflect the gender gap in rural areas.

The overall size of the literate population in the country is increasing. In 1994 there were only 2.64 million students enrolled in primary schools in the country, but this figure more than tripled over the subsequent decade and reached 8.74 million students by 2003. Likewise, enrolment in secondary school increased from about 357,000 students in 1994 to more than 586,000 in 2003.²⁵ In 2003, about 99,000 students were enrolled in technical and vocational education and training (TVET) institutions, while about 148,000 students were enrolled in universities and colleges, 29,000 of which graduated during the same year.

²⁵ MOE 2003; 1999

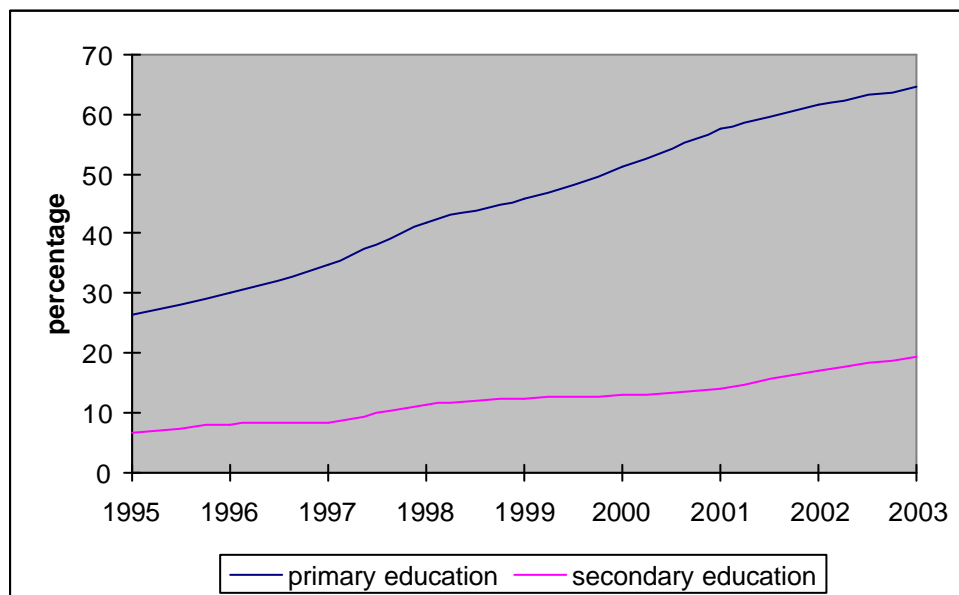
Figure 6: Youth literacy



Source: CSA 2004²⁶

So, the literacy rates of youth in particular have shown significant a increase in recent years. Urban youth receives more education, and the gender gap is smaller. Moreover, the Ethiopian Government has adopted a special Educational Sector Development Programme (ESDP) in order to increase the educational level of the population and fulfil the MDG of achieving universal primary education.

Figure 7: Gross enrolment rates



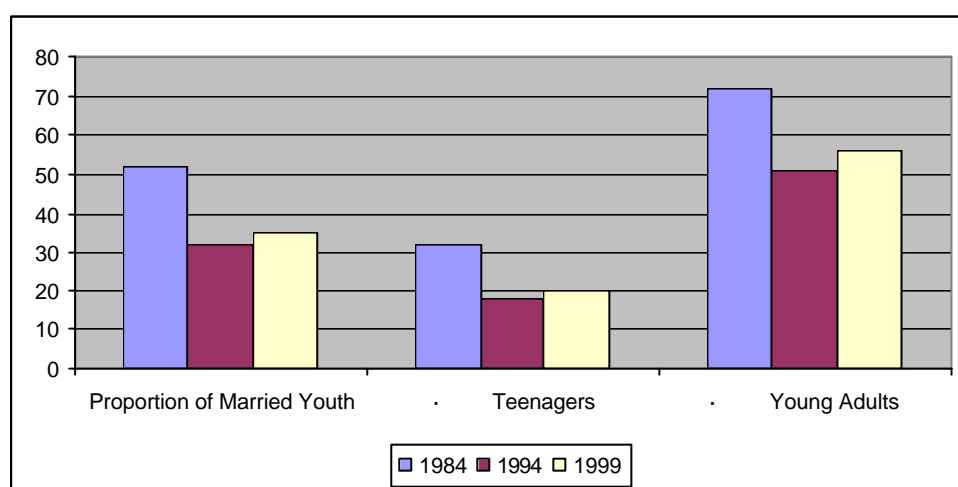
Source: Ministry of Education (MoE) (2003)

²⁶ Primary education takes 8 years, general education takes 10 years (8+2), beyond general education takes more than 10 years, e.g., 10+1, 10+2, 10+3, 10+2+3(first degree), etc.

1.b.3 Civil status

It is important to consider the civil status of youth to comprehend their participation in the labour market. The proportion of married youth of both sexes has declined from about 52 per cent in 1984 to 35 per cent in 1999. The proportion of married teenagers was about 32 per cent in 1984, and declined to 20 per cent in 1999. Likewise the proportion of married young adults declined from 72 per cent in 1984 to 56 per cent in 1999. The proportion of married girls is higher than that of married young men. In 1999, only 7 per cent of the male teenagers were married compared to 32 per cent of the female teenagers. In addition, while only 32 per cent of the male young adults were married, about 74 per cent of the female young adults were married during the same period. The evidence also indicates that the proportion of married youth is higher in rural areas than in urban areas; 17 per cent in urban areas compared to 39 per cent of the youth in rural areas (CSA 1999b).

Figure 8: Percentage of married, divorced or widowed youth



Note: Data for 1999 excludes some parts of Somali and Afar Regions.
Source: Compiled CSA (1991, 1999a, 1999b).

The high proportion of young married women may explain the lower participation of young women in education, as well as in the labour market.

1.c Youth participation in the labour market

1.c.1 Participation rates

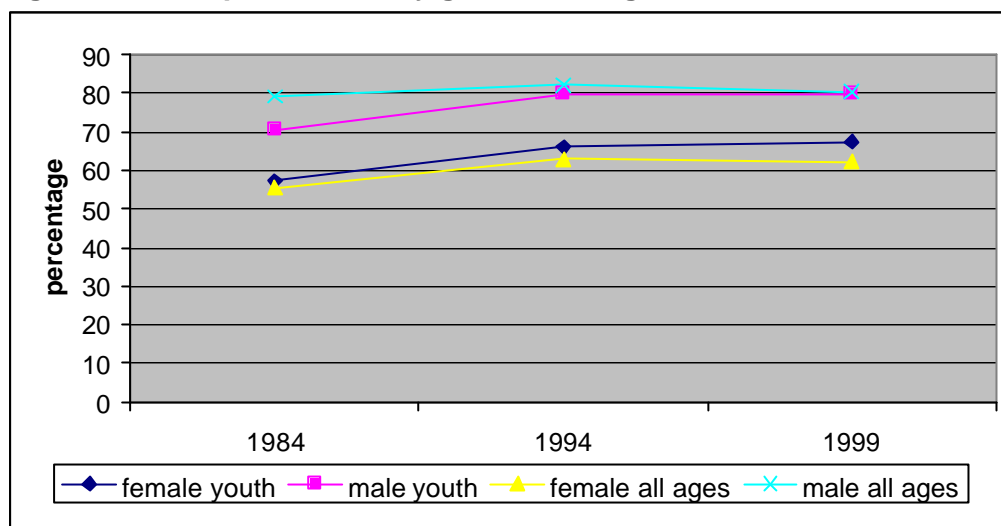
As illustrated in figure 9, the activity rate for the youth aged between 15 and 24 was 64 per cent in 1984, 73 per cent in 1994 and 73 per cent in 1999.²⁷ The participation rate of youth in the labour market increased significantly between 1984 and 1994 and slightly exceeded the participation rate for all age groups. The proportion of the youth in the total labour force increased from 24 per cent in 1984 to 33 per cent in 1999. Thus a third of the country's total labour force was between 15 and 24 in 1999.

The activity rate of female youth in 1999 was, on average, 67.4 per cent compared to 79.9 per cent for male youth. The participation rate of men exceeds that of women for all age groups. In addition female youth participation rates have not moved between 1994 and 1999. Factors that explain the gender gap are underreporting of female participation in the labour force and the large proportion of women that marry at a young age. Moreover, discrimination against hiring of women contributes to this situation.²⁸

²⁷ Participation rates are underestimated due to the exclusion of two regions for the 1999 data.

²⁸ As reported in the 26/01/2004 UN press release.

Figure 9: Participation rates by gender and age

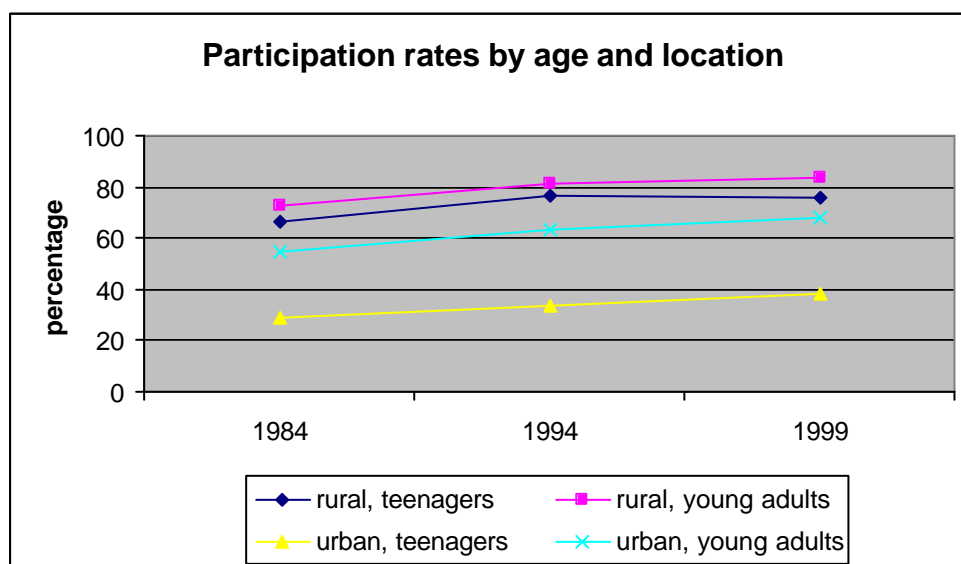


Source: extracted from CSA (1991, 1999a, 1999b).

Significant differences in the participation rates exist across area of residence, as well as between teenagers and young adults. The participation rate of rural youth (78.8 per cent) is much higher than that of the urban youth (50.68 per cent) (See figure 10). In fact nearly two-thirds of the youth population that was not at work, was living in urban areas in 1994 and 1999. Moreover, little difference can be observed between rural teenagers and rural young adults. However, urban teenagers have much lower participation rates than their older counterparts.

A major factor that explains these facts is educational participation; with relatively little opportunities for education in rural areas, the rural youth are more likely to become active in the labour force. Urban teenagers seem to benefit most from this factor. The higher level of poverty in rural areas leads rural youth to participate in the labour force.

Figure 10: Urban vs. rural participation rates



Source: compiled from CSA (1991, 1998 1999).

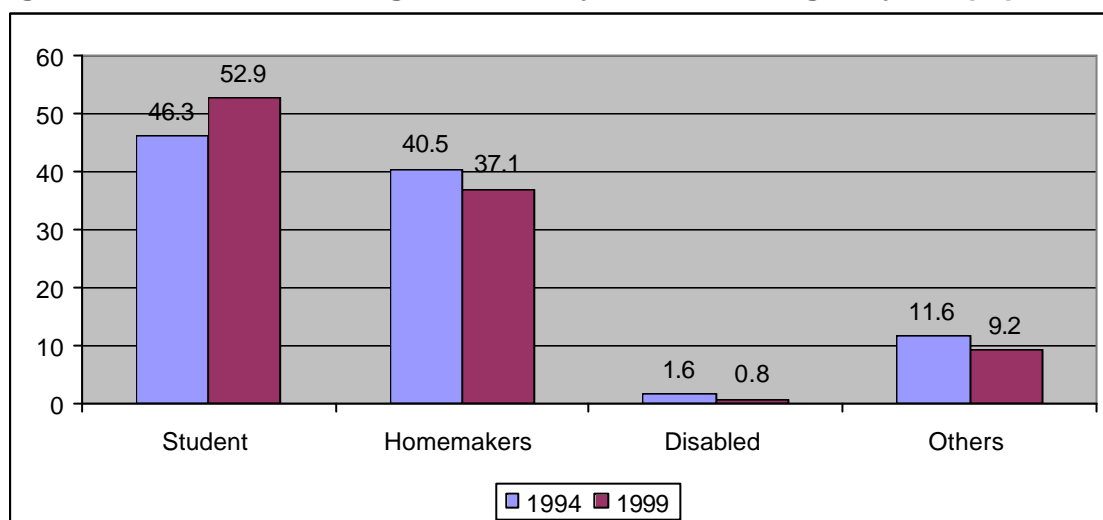
Ethiopian youth are increasingly more likely to attend school than participate in the labour force. The CSA projected that in 2005, young adults started participating more as compared to teenagers. Although this may be caused by many factors, one could be that teenagers attend school longer.

O'Higgins²⁹ reports that the proportion of active young people in the total labour force is on a downward trend in Africa, mainly due to increases in the educational participation of young people. As was shown earlier, an increase in the enrolment of children in primary and secondary education has happened very recently.³⁰ This may eventually lead to a decline in the participation rate of youth. Also, some youth may be combining their studies with work enrolling for evening courses.

1.c.2 Reasons for inactivity

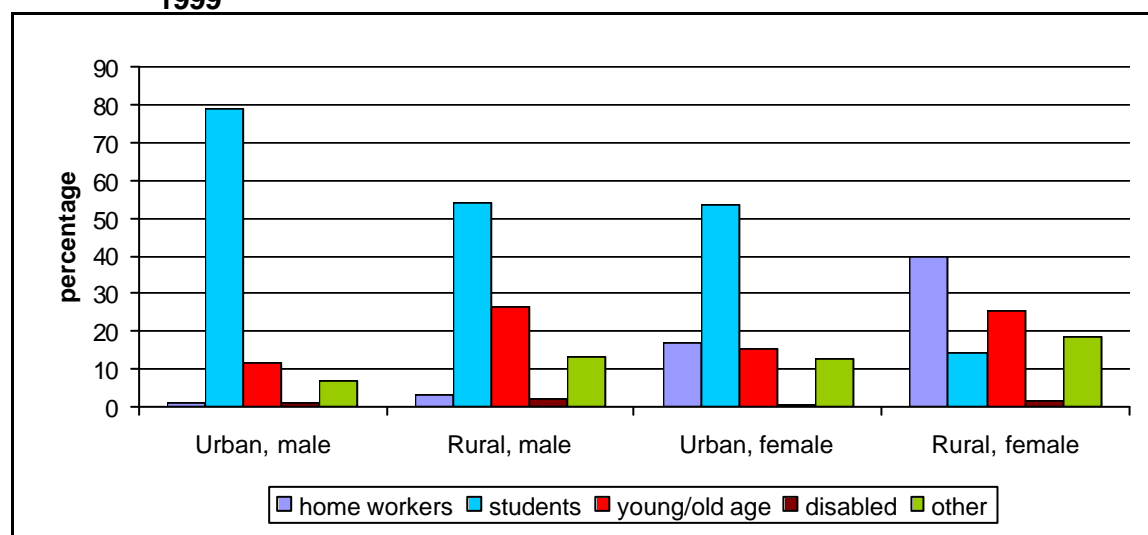
For the years 1994 and 1999, data for economic inactivity among youth is available (see figure 11). The two major reasons for non-participation in the labour market were studying and home-making. The increased inactivity of youth due to the educational participation seems a desirable phenomenon.

Figure 11: Reasons for being economically inactive among the youth population, 1999



Source: CSA (1999a, 1999b).

Figure 12: Reasons for being economically inactive among all age groups by location, 1999



Source: CSA (1999a, 1999b).

²⁹ 2003, p. 20.

³⁰ This finding was confirmed in a recent unpublished study: Getachew, M. (2005), *Youth employment: Inventory of existing policies and programmes*, draft submitted to the World Bank on 10 July 2005.

Homemaking, on the other hand, seems a statistical artefact, representing a failure to count household chores as work. Disregarding such activities at least partly contributes to underreporting of female participation rates in the labour force.

1.d Youth unemployment

The youth unemployment rate in Ethiopia is systematically higher than for the population as a whole. More details on youth unemployment are presented below. Section 1.d.1 examines some characteristics of unemployment in terms of division by industry and sector and compares this to the adult population. Section 1.d.2 takes a more detailed look at which youth are affected by unemployment.

1.d.1 Youth unemployment trends

Table 3 provides summary statistics on unemployment rates between 1984 and 1999.

Table 3: Summary statistics of unemployment in Ethiopia

| | 1984 | | | 1994 | | | 1999 | | |
|-------------------------|----------------------------------|-------------------------------|--|----------------------------------|-------------------------------|---|--------------------------------|------------------------------------|---|
| | No. of Un- employed people | Unemploy- ment rate (%) | Youth-to- adult (25+) ratio unemploy- ment ratio | No. of Un- employed people | Unemploy- ment rate (%) | Youth-to- adult unemploy- ment ratio | No. of unemployed people | Un- employ- ment rate (%) | Youth-to- adult unemploy- ment ratio |
| Total population | 169,621 | 1.2 | | 770,842 | 2.9 | | 2,198,789 | 8.1 | |
| Youth (15-24) | 73,173 | 2.3 | 0.76 | 398,615 | 5.3 | 1.1 | 946,036 | 12.0 | 0.76 |
| Teenage (15-19) | 41,959 | 2.6 | | 179,447 | 4.3 | | 493,576 | 11.3 | |
| Young Adults (20-24) | 31,214 | 2.1 | | 219,168 | 6.6 | | 452,460 | 12.7 | |
| Youth (15-29) | 88,835 | 1.9 | | 519,925 | 4.9 | | 1,260,177 | 9.0 | |

Note: This survey does not cover some parts of the Somali and Afar Regional States and hence underestimates the absolute figures of unemployment, but provides an important insight into the rate of unemployment.

Source: CSA (1984, 1999a, 1999b).

A number of observations could be made from the data presented in table 3. The data indicates that the rate of unemployment more than doubled between each period. Despite this increase, the national unemployment rate still appears to be relatively low - 8 per cent. As will be shown later, this is mainly because the unemployment rate does not consider the higher level of underemployment that exists particularly in rural areas.

Unemployment disproportionately affects the youth population in Ethiopia. In each of the three periods, the youth unemployment rate was higher than for all other age groups. Comparing age groups, teenagers were more likely to be unemployed in 1984, while young adults had higher rates in 1994 and 1999.

In 1994 and 1999, the proportion of unemployed youth in total unemployment was 52 per cent and 43 per cent respectively. In fact if one uses the Ethiopian definition of the youth population (15-29), unemployed youth accounted for 52 per cent, 67 per cent and 57 per cent of total unemployment in 1984, 1994 and 1999 respectively.

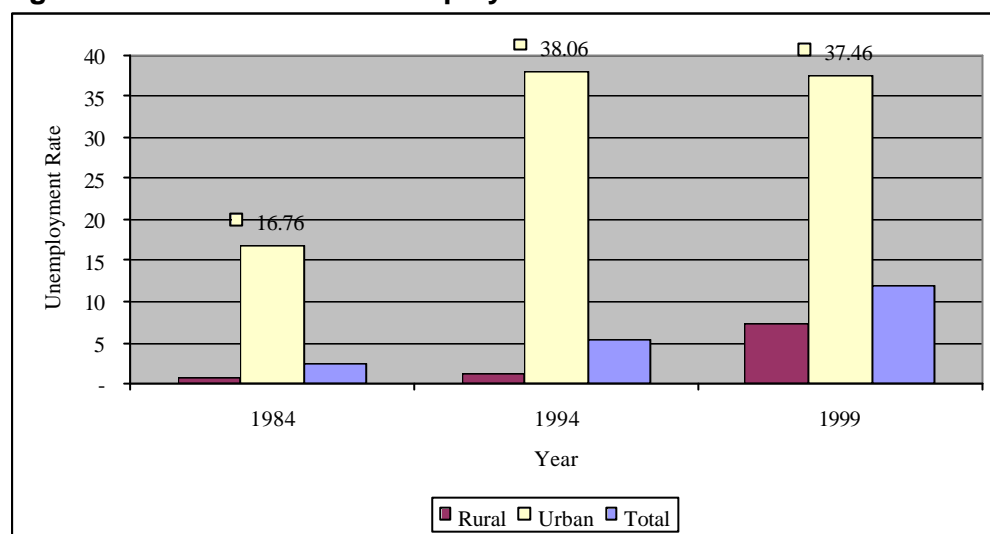
1.d.2 Features of youth unemployment

The figures on youth unemployment conceal crucial differences across different groups of youths, such as urban youth, young women and those with lower educational attainment.

1.d.2.1 Urban vis-à-vis rural unemployment

The preceding discussion of youth unemployment conceals crucial differences across rural and urban areas. Like the entire population, the majority of youth live in rural areas. It was shown above that rural participation rates were much higher than urban participation rates. Open youth unemployment appears to be characteristic of urban centres, and rose sharply between 1984 and 1994. In contrast, the youth unemployment rate in rural areas was only 0.7 per cent in 1984, 1.2 per cent in 1994 and 7.2 per cent in 1999. These findings are consistent with those of Gebreselassie and Krishnanz (1999) who report sharply rising youth (15-29 years old) urban unemployment between 1990 and 1997. We are reminded that unemployment is typically not an option in rural areas.

Figure 13: Urban vs. rural unemployment



Note: This survey does not cover some parts of the Somali and Afar Regional States and hence underestimates the absolute figures of unemployment, but provides an important insight into the rate of unemployment.

Source: CSA (1984, 1999a, 1999b).

1.d.2.2 Unemployment by gender

Women have lower participation rates and face higher level of unemployment compared to their male counterparts. Empirical evidence indicates that the unemployment rate among young women (20-24) was 38.7 per cent while it was only 23.2 per cent for young men in that age category during the same year.³¹ These figures stand in contrast with the general trend for the Sub-Saharan region, where the unemployment rates for young men (23.1 per cent) exceed those for young women (18.4).³²

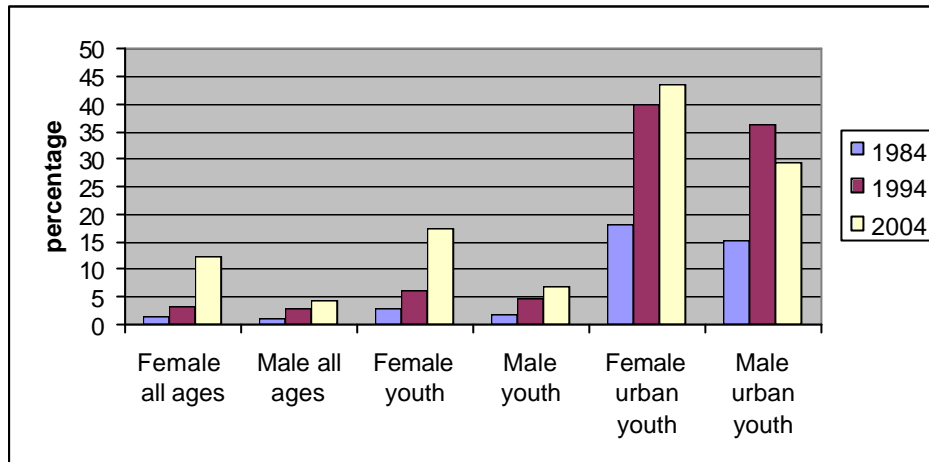
The unemployment rates for the total labour force, youth and urban youth, disaggregated by gender, are presented in figure 14. The data indicate that women experience higher levels of unemployment than their male counterparts in Ethiopia. This is consistently true for all working age groups (10 years and above), for all youth (both urban and rural youth) as well as for urban youth across all reference periods. This coincides with the findings on rural vs. urban unemployment (see above).

³¹ Salih 2002; see also O'Higgins 2003.

³² ILO 2004, p.12

Unemployment rates have increased more for women than for men over the five years prior to 2004. In 1999, the youth unemployment rate among women was 17.3 per cent, compared to 6.8 per cent among men. The urban female youth unemployment rate was 43.7 per cent compared to 29.4 per cent for urban male youth. This concurs with the findings from MOLSA data on registered job seekers. In 2003, female job seekers accounted for 56 per cent of the total registered job seekers.³³ This upward trend in unemployment is, in part, a consequence of the increased participation of women in the labour force and in education.

Figure 14: Unemployment rates by gender for the labour force as a whole and for youth



Source: Compiled from CSA (1991, 1999a, 1999b).

1.d.2.3 Unemployment by educational levels

It has often been argued that unemployment is high amongst educated youth in developing countries. The empirical evidence is mixed, however. O'Higgins (1997, 2003) reviews the experience of various countries and argues that there is no strong evidence to support the existence of widespread educated unemployment in developing countries. The rates of return to education are substantially higher in developing countries than in the OECD, and all evidence counters the notion of an impoverished and disadvantaged group of educated young people in developing countries.³⁴

For Ethiopia, it is clear from the numbers in figure 15 that there are higher levels of unemployment for those with lower levels of education. The same picture emerges for youth (see figure 16). The figures reveal some unemployment amongst educated urban youth.

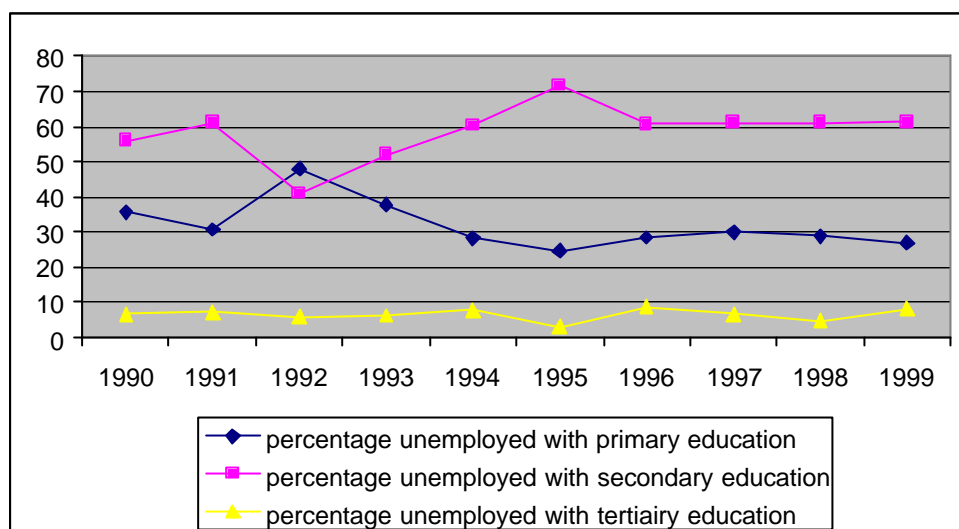
Highly educated (beyond Grade 12) unemployment constitutes only a minimal proportion of the total unemployed in both rural and urban areas. This is also reflected in the data from registered job-seekers data in Appendix 4. Of 23,874 registered unemployed people, 14,701 (62 per cent) had some form of secondary school education. A recent survey of unemployment in urban areas³⁵ reveals an increase in unemployment rates of young people, who have attained high school or a higher educational level. This could be due to a mismatch between the type of education provided at schools and the requirements of the labour market.

³³ See: appendices 3 and 4.

³⁴ O'Higgins 2003:41-42.

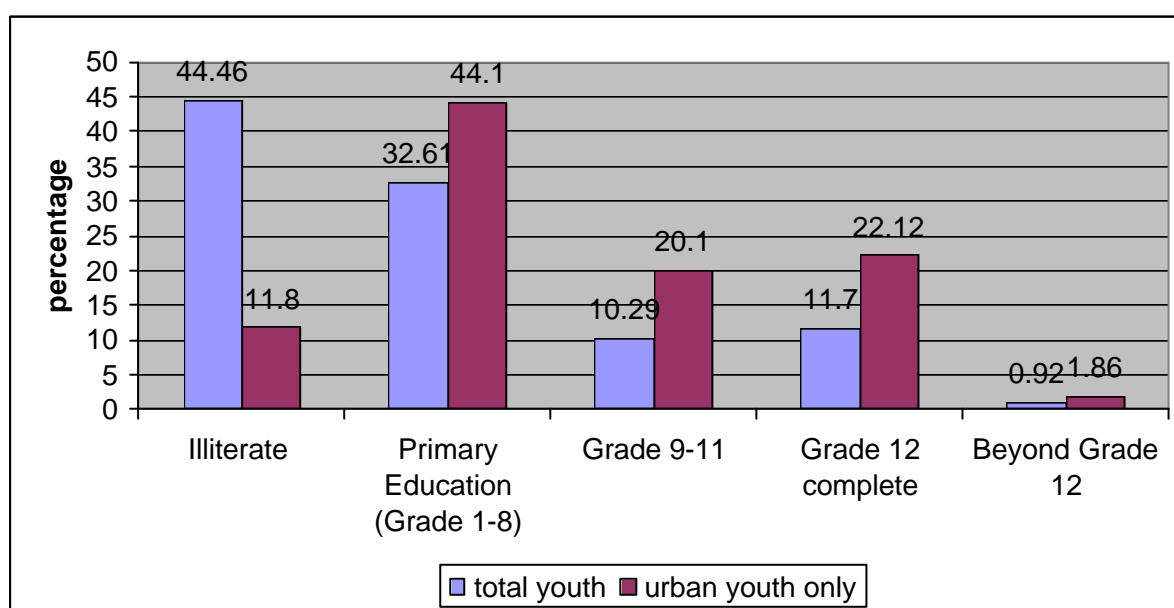
³⁵ CSA 2004.

Figure 15: Unemployment by education level



Source: World Bank WDI online.

Figure 16: Percentages of unemployed youth by educational level 1999

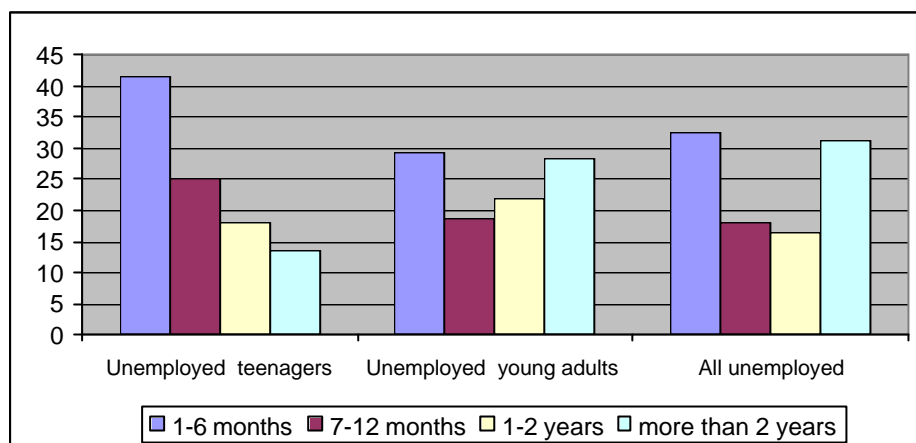


Source: CSA (1999b)

1.d.2.4 Transitory vis-à-vis structural unemployment

The high incidence of youth unemployment, its persistence and the long job search time involved lead to discontent and disillusionment among the youth. Moreover, long-term unemployment has deskilling and scarring effects. Two alternative theories on structural unemployment among youth exist. The first argues that youth face a higher incidence of long-term unemployment than adults. The competing argument is that the unemployment of young people is relatively transitory. Youths experience a higher level of unemployment rate compared to older people, but this is because of the tendency of youth to shop around in the labour market. This does not last very long, however, and youth would eventually have a lower average duration of unemployment than older people.

Figure 17: Duration of urban unemployment in 2002



Source: Compiled from CSA (2003).

In Ethiopia, 49.2 to 64.6 per cent of all the unemployed were unemployed for more than 12 months in the period 1999-2004.³⁶ The 1984 and 1994 population censuses of Ethiopia do not provide data regarding the duration of unemployment, while the labour force survey of 1999 provides data for all the unemployed but not aggregated by age. The urban employment survey of 2003, however, provides information on duration of unemployment by age groups (see figure 17).

Transitory unemployment is prevalent among teenagers but not for other age groups. There is a substantial group that is unemployed for more than two years, while approximately the same percentage find a job within six months. Thus, for young adults as well as for the overall labour force, both transitory and structural unemployment occur.

1.e. Employment conditions of youth

1.e.1 Sectors of activity

During the socialist period between 1974 and 1991, the large public sector determined employment growth. The private sector was confined to operating small-scale and largely informal activities, and played only a limited role in the generation of formal sector employment. Estimates for 1981 indicate that employment in the government (public) sector accounted for more than 94 per cent of formal sector employment while the share of private sector employment was less than 6 per cent. Thus, employment opportunities largely depended on the performance of the public sector during the last regime. Studies, however, indicate that increases in the employment opportunities in the government sector were extremely low compared to the annual increase in the labour force (ILO 1986). With the increase in the role of the private sector after the downfall of the communist military regime in 1991 and liberalization of the economy, employment in the formal private sector is expected to show some growth. One of the thrusts of the strategies of the Sustainable Development and Poverty Reduction Programme (SDPRP) of the current Ethiopian government is in fact 'strengthening private sector growth and development especially in industry as a means of achieving off-farm employment and output growth.'³⁷

The two major public employers are the industrial sector and the civil service. The industrial sector consists of mining and quarrying, manufacturing, construction, electricity, gas and water as well as construction. The largest employer out of these sub-sectors is manufacturing, in which more than 1.1 million people worked in 1999.³⁸ Moreover, youth are equally represented in manufacturing compared to

³⁶ Woldehanna, Guta, Ferede, p. 24.

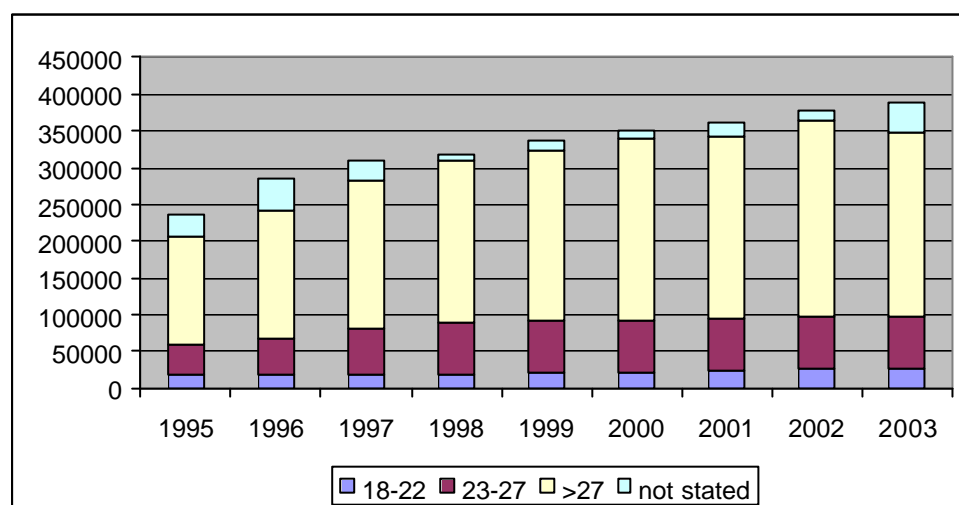
³⁷ MOFED 2002.

³⁸ Labour Force Survey 1999.

the total employed population. Manufacturing employment accounted for 4.45 per cent of total employment in 1999, 4.21 per cent were teenagers and 4.89 per cent young adults.³⁹

Manufacturing includes small-scale and cottage/handicraft manufacturing establishments and hence may not adequately reflect the representation of youth in formal and relatively modern manufacturing that provides higher quality employment. Data on employment in medium- and large-scale manufacturing by age is not available. Nevertheless since employment in the sub-sector remains very low at less than 100,000 (see the Appendices), the opportunities for youth to gain a place in this sub-sector appear minimal. The growth of the sector has not been fast enough to match the fast-growing labour force of the country. Between 1998 and 2002 employment in the sub-sector grew on average by only 1.32 per cent per annum (Appendix 1). Between 1988 and 1992 total employment in medium and large-scale firms expanded on average by 1.2 per cent per annum, and by about 1.9 per cent per annum over the period 1993-1999.⁴⁰ With this growth rate, youth are not expected to benefit from employment in the manufacturing sector.

Figure 18: Employment in the Ethiopian public civil service, by age



Source: Federal Civil Service Commission (2003).

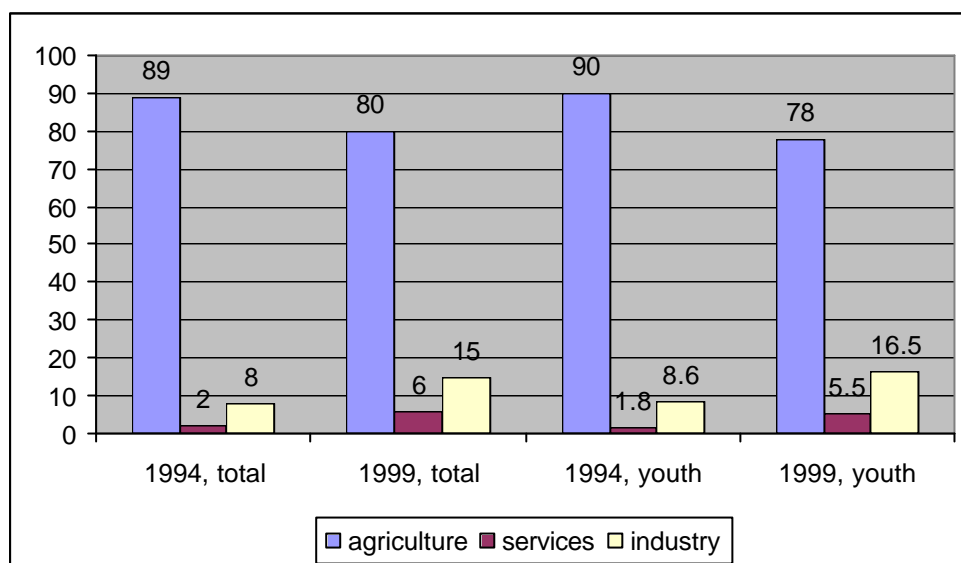
Another major employer in the formal market is the service sector, which includes trade, tourism, transport and communication, health and education, and public administration (civil service). Out of the growing service industry, the sub-sector that plays a significant role in absorbing labour is the civil service which has expanded significantly in recent years following the federal political system that required the establishment of government offices at regional, district and lower tiers. Owing to the decentralization process, the size of the civil service has shown significant growth in the 1990s. Total employment in the civil service grew, on average, by 6.61 per cent per year between 1995 and 2003, providing employment opportunities to 388,903 people in 2003, which is nearly four-fold the employment in manufacturing.. Employment of youth aged 18-22 grew, on average, by 4.29 per cent per year between 1995 and 2003, while employment in the age group 23-27 grew by 7.35 per cent per year. Moreover, both age groups (18-22 and 23-27) together accounted for more than 26 per cent of total employment in the civil service (see figure 18).

More than three-quarters of youth work in agriculture, which is characterized by low productivity and low per capita income. Employment in the industry sector generally comes with better working conditions as the sector tends to be formal and protected. Finally, the working conditions in services are mixed depending on the type of work. The employment pattern of the youth population is comparable to that of the population as a whole. In 1999, compared to the entire population, a slightly lower percentage of youth worked in agriculture and industry, whereas a slightly higher percentage of youth worked in services. It should be noted that agriculture is characterized by low productivity and low income,

³⁹ CSA 1999b.

⁴⁰ Tekeste 2003.

Figure 19: Distribution by sector of employment (in percentages)



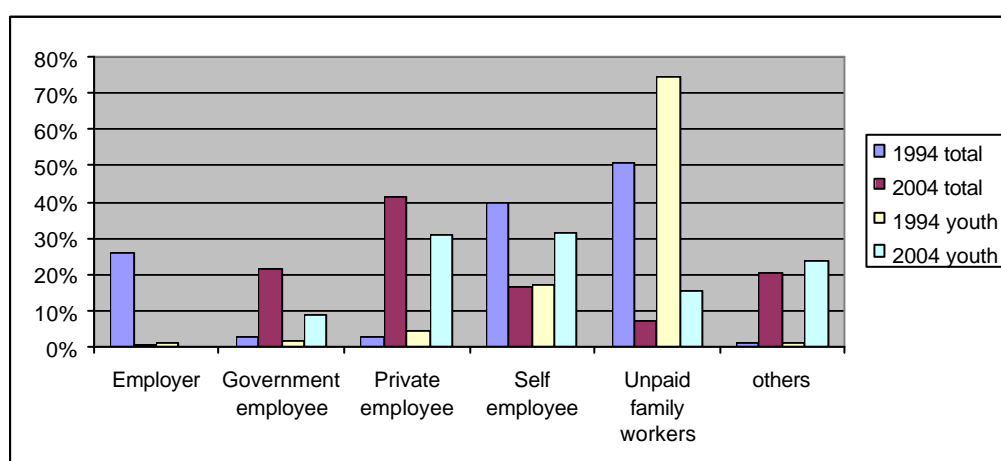
Source: Compiled from CSA (1994, 1999a, 1999b).

Several factors could account for this. Firstly, a slightly higher proportion of youth live in urban areas. Thus, youth might have a higher propensity to migrate than the overall population, seeking employment in services and in industry in urban areas. What is more, the growth in services is likely to also include growth of services in the informal economy.

1.e.2 Activity status

Looking at employment by status (see figure 20), it can be seen that in comparison with the entire labour force, young workers were more often unpaid family workers and self-employed and less often government or private employees in 2004. This concurs with the fact that after the public sector job guarantee for university graduated ended in the early nineties, youth unemployment rose by 60 per cent.⁴¹ The information sustains the hypothesis that youths have difficulty entering the formal labour market.

Figure 20: Employment by status



Note: For the 2004 data, the category 'other' contains the categories 'employee-domestic', 'employee- NGO', 'apprentice', 'member of a co-operative' as well as 'other.' Source: CSA, 1994, 2004.

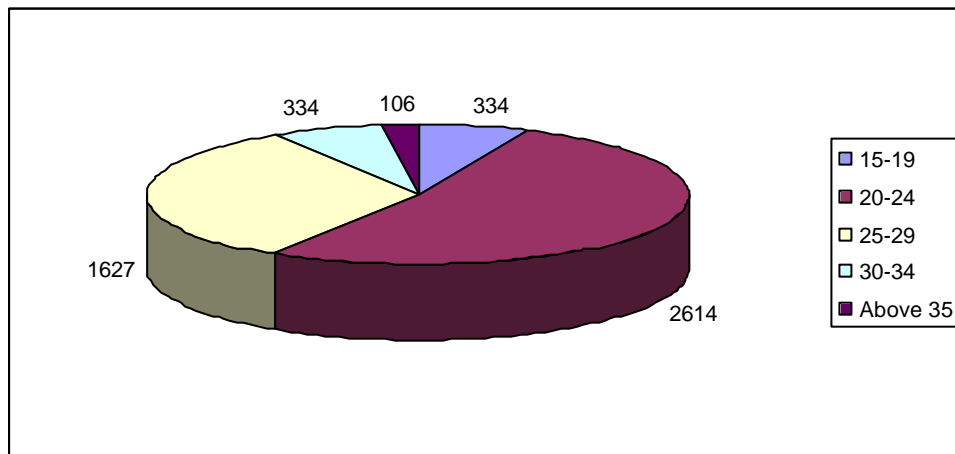
⁴¹ Krishnana et al. 1998

Another striking feature of figure 18 is the remarkable drop in unpaid family workers between 1994 and 2004. For adults, this part of the labour force seems to have been absorbed by government and private employees. For youth, the main increase during this time is in the category self-employed youth (increasing from 17 to 31 per cent). This may be an indication of the success of the late government programme discussed below. It seems that this overall shift could be interpreted in light of policy changes after the change in regime. One hypothesis could be that people that reported to be unpaid family workers may have been working in the informal economy before and shifted to another sector as jobs came available.

1.e.3 Foreign employment

The main form of foreign employment by Ethiopians is work as domestic maids in the Middle East. The Labour Codes issued in 1992 and 2003 allow for the employment of Ethiopian nationals outside of Ethiopia if the Ministry of Labour obtains adequate assurance that the rights and dignity of the national are respected in the country of employment. Overseas employment, however, remained largely unregulated until recently. An effort to regulate the sector was introduced with the Private Employment

Figure 21: Number of Ethiopians permitted to work abroad by age group, 2002



Source: MOLSA (2003).

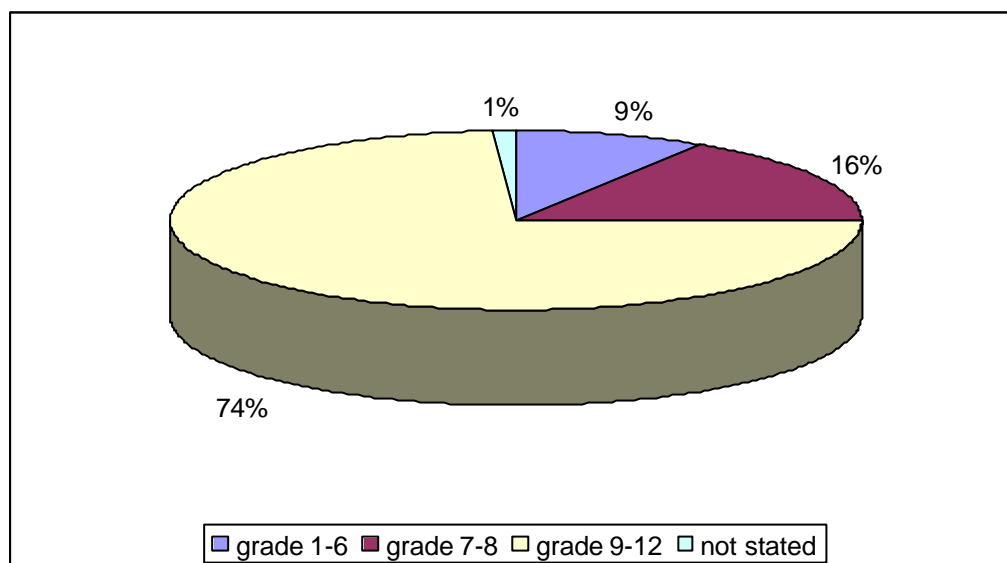
Agency Proclamation of 1998. Only a small number of nationals were given a work permit by the Ministry of Labour for the Middle East, increasing from 2,399 in 2001 to 5,015 in 2002. It is to be expected that the number of Ethiopian nationals working in the Middle East is much higher, as the numbers include only those that registered officially and found employment via legally established private employment agencies. The numbers are useful in so far as they give an indication of the characteristics of employees abroad. Nevertheless, it should be kept in mind that it is likely that a selection bias occurred.

There are three features that characterize the employment services in the Middle East. First, nearly all the employees permitted to work in the Middle East are women (100 per cent in 2001 and 98 per cent in 2002).

Secondly, the majority of those permitted to work overseas are young people. In 2001, 63 per cent of those issued with a permit to work abroad were between the ages of 15-24. In fact, if one applies the Ethiopian definition of youth (aged 15-29) then 94 per cent of those permitted to work abroad in 2001 were youths. Likewise in 2002, 59 per cent of those issued with a work permit were between the ages of 15-24, while 89 per cent of the employees were under 29 in 2002 (figure 21). However, when comparing young adults to teenagers, it becomes clear that only a small proportion of those officially working abroad are teenagers.

Third, the majority of the nationals permitted to work in the Middle East have attained secondary school education. In 2002, nearly three-fourths (74 per cent) had attained Grade 9-12 education level, while 16 per cent had attained Grade 7-8 education.

Figure 22: Educational levels of Ethiopians permitted to work abroad



Source: percentages calculated from Data of MOLSA (2001, 2002).

To sum up, overseas employment is dominated by employment in the Middle East and remains largely unregulated. The available data indicate that the majority of the national working abroad are young women in their twenties with a secondary school level of education. A selection bias might have occurred. For example, it is possible that the government targeted those that have the highest incidence of unemployment (young, highly educated women) for work abroad.

1.e.4 Wage and income of employed youth

Information on wages for employed of all age groups is presented in table 4. It is clear that income rises substantially with education, and that government employees with higher education receive the highest income. This may explain why queuing (that has been suggested as an explanation for open unemployment among the middle class) takes place for government jobs.

Other comparisons show that government employees and employees with parastatals⁴² are better off, on average. Formal employed with low education levels are better off than informal employed, but this difference disappears for higher education levels. Workers in the private sector and in NGO's are worst off in all educational levels.

Income diversification has been reported as a risk management and coping strategy, especially for women. It can be seen as a sign of low productivity and of labour surplus. Moreover, men in Ethiopia on average earn 25 per cent more than women.⁴³

⁴² Parastatals are government owned enterprises.

⁴³ Laderchi and Gosse, 2004.

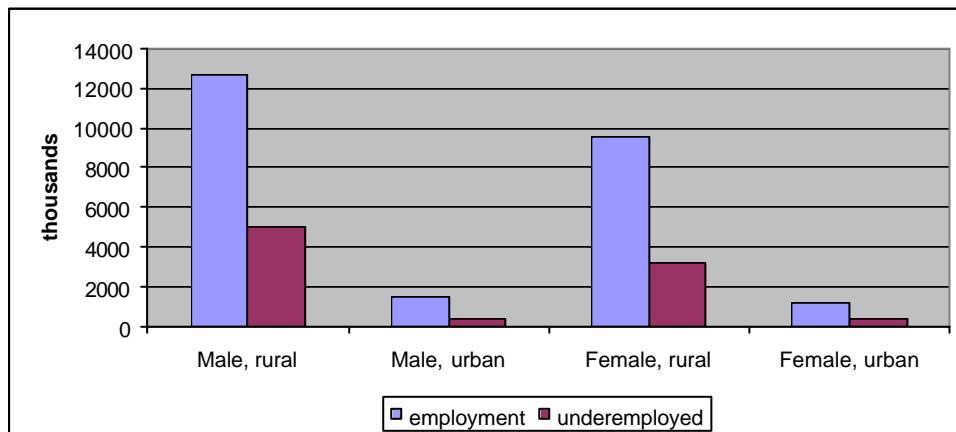
Table 4: Wages by educational level for employed (15+) (Birr per month)

| | | Average wage | Illiterate | Non-formal and literacy campaign | Grade 1-4 | Grade 5-8 | Non-completed general education | General education completed | Beyond general education | Higher education |
|--------------------------|--------|--------------|------------|----------------------------------|-----------|-----------|---------------------------------|-----------------------------|--------------------------|------------------|
| All | mean | 430 | 109 | 223 | 182 | 274 | 350 | 437 | 675 | 1,141 |
| | median | 300 | 60 | 150 | 120 | 200 | 300 | 380 | 670 | 950 |
| Formal employed | mean | 444 | 101 | 203 | 175 | 279 | 363 | 447 | 674 | 1,122 |
| | median | 300 | 60 | 150 | 100 | 222 | 308 | 400 | 630 | 950 |
| Informal employed | mean | 346 | 149 | 338 | 206 | 248 | 272 | 360 | 694 | 1,358 |
| | median | 200 | 126 | 170 | 150 | 186 | 235 | 300 | 600 | 1,000 |
| Parastatal | mean | 651 | 242 | 212 | 285 | 391 | 446 | 506 | 704 | 1,097 |
| | median | 530 | 236 | 299 | 250 | 300 | 420 | 450 | 674 | 945 |
| Government | mean | 682 | 267 | 159 | 317 | 319 | 526 | 544 | 624 | 1,590 |
| | median | 460 | 180 | 135 | 248 | 255 | 350 | 500 | 529 | 1,335 |
| Private sector and NGO's | mean | 238 | 86 | 209 | 157 | 227 | 259 | 330 | 508 | 1,076 |
| | median | 120 | 50 | 100 | 80 | 150 | 200 | 250 | 400 | 800 |

Source: Ruggeri Laderchi C. and Gosse E.N. (2004), Labor markets in Ethiopia: an overview and hypothesis for further research, unpublished, World Bank.

1.e.5 Time-related underemployment

The analysis of underemployment and inadequate employment situations in developing countries is a difficult task. Problems include the definition of the concept, its measurement and the lack of comprehensive and detailed data. Here, the definitions from the population census and labour force surveys are used. A widely held hypothesis is that young people are disproportionately underemployed.⁴⁴

Figure 23: Time-related underemployment rate

Source: CSA 1999.

A first indication of the distribution of underemployment is given by figure 23. It can be seen that while most employed are men from rural areas, this group also suffers most from underemployment, with an underemployment rate of 40 per cent. Furthermore, the underemployment rate is 34.2 per cent, 33.2 per

⁴⁴ Visaria (1998) reports evidence in support of such hypothesis in India, while Salih (2001) finds no strong evidence to substantiate such an argument in Sri Lanka. In his review of the literature, O'Higgins (2003) argues that evidence exists that suggests a higher representation of young people in such types of employment.

cent and 29.4 per cent for women from rural areas, women from urban areas and men from urban areas, respectively.

Table 5: Percentage of employed persons/youths according to hours worked per week

| Number of Hours Worked Per Week | Year/Percentage of Employed Persons/Youths | | | | | |
|--------------------------------------|--|------------|--------------|--------------|-----------|--------------|
| | 1999 | | | | 2003 | |
| | All | All Youths | Urban Youths | Rural Youths | All urban | Urban Youths |
| Less than 12 hrs | 33.9 | 34.2 | 19.3 | 36.1 | 10.2 | 10.6 |
| 13-21 hrs | 20.3 | 20.9 | 12.5 | 22.0 | 8.4 | 8.4 |
| 22-30 hrs | 16.1 | 16.1 | 11.6 | 16.7 | 9.6 | 10.9 |
| 31-39 hrs | 10.4 | 9.8 | 11.0 | 9.7 | 13.5 | 10.4 |
| 40-48 hrs | 7.8 | 7.4 | 16.2 | 6.3 | 22.5 | 17.5 |
| More than 49 hrs | 11.5 | 11.5 | 29.4 | 9.3 | 35.8 | 42.1 |
| Total | 100 | 100 | 100 | 100 | 100 | 100 |
| Mean number of hours worked per week | 23.3 | 23.1 | 36.8 | 21.3 | 43.0 | 44.2 |

Source: Calculated from CSA (1999b, 2003).

Table 5 presents data that accords an insight into the underemployment and inadequate employment situation in Ethiopia. The estimates for 1999 are computed from 1999 National Labour Force Survey data while, the estimates for 2003 are calculated from the Urban Bi-Annual Employment/Unemployment Survey. The categories for which data were given are not the same for 1999 and 2003. Yet, an analysis of the estimates of 1999 and 2003 provides some insights about the temporal pattern of underemployment and inadequate employment situations with regard to the urban youth.

First, looking at the data for 1999, it is striking that there is very little difference between the youth rate and that of all employed persons. Looking at the overall employment pattern of the population, it can be seen that the majority of the population works less than 40 hours a week, and that more than half works less than 20 hours a week. This seems to be a major indication of underemployment.

However, there is a large difference between urban and rural youths. Thirty per cent of employed urban youth work more than 49 hours, compared to 10 per cent of the rural youth. A large proportion of the employed urban youth working long hours can probably be explained by low rates of pay. Looking at urban youth, an actual increase can be observed from a mean amount of hours worked per week of 38 to 44 between the two time periods. Also, there was an increase in youths working more than 40 hours.

According to the provisions of the Labour Code of the country (FDRE 2004), normal hours of work shall not exceed eight hours a day or forty-eight hours a week. Thus, a large proportion of youth was working longer hours than the law of the country permits.

Finally, the existence of inadequate employment situations can be analysed by using data regarding the availability and readiness of the employed to work additional hours. In 1999, out of the total population employed, 44.7 per cent responded that they are available and ready to work additional hours, compared to 50 per cent of employed youth. There was a small difference across the urban and rural youth population as 54.4 per cent of the employed urban youth wanted to work additional hours compared to 49.1 per cent. The percentage for the urban youth has fallen slightly over the subsequent four years to 50 per cent in 2003. Yet this percentage is very high given the fact that already a large proportion of the urban youth is working long hours (CSA 1999b, 2003).

In summary, underemployment occurs among both the young and the entire labour force. The main divide seems to be between rural and urban areas. A majority of employees are willing to work more.

1.e.6 Informal employment

Decent work implies employment of good quality. The magnitude and structure of employment in the formal vis-à-vis the informal economy can be used to approximate the quality of employment opportunities in an economy. Generally, the informal economy is seen to provide low-income, low-

productivity employment. The preceding discussion reveals that the formal sector provides limited job opportunities in the country. Given this situation, new entrants into the labour force often end up in the informal economy.

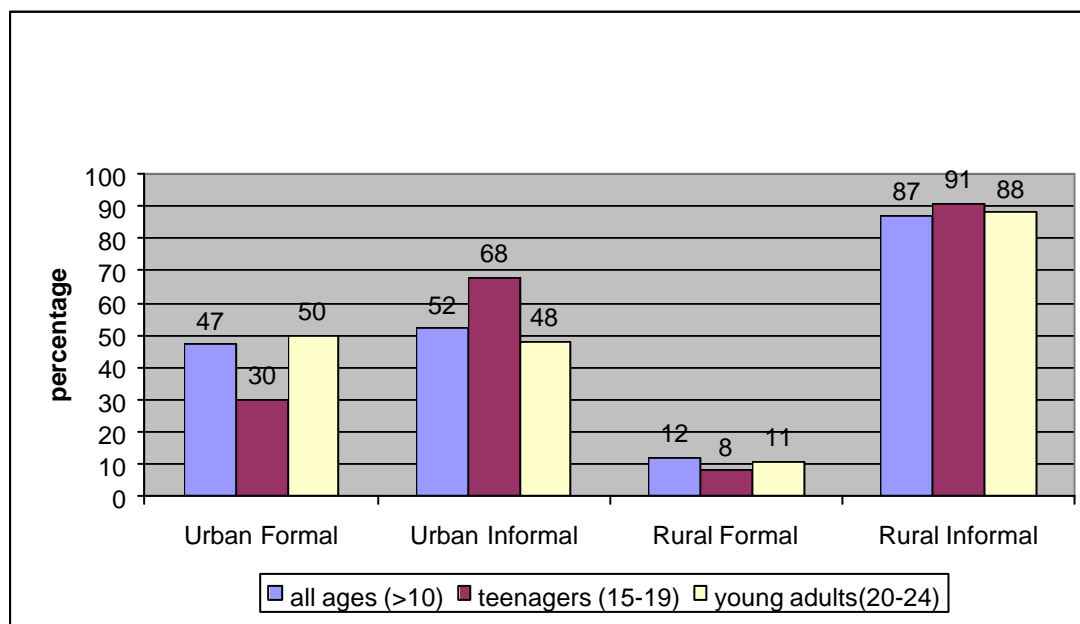
Classifying economic activities into formal and informal and measuring the extent to which the informal economy generates employment opportunities are challenging tasks. In the first national labour force survey (1999) in the country, the following definition of informal employment was used. “A person is considered to work in the informal economy when he/she is engaged in a business or enterprise that does not keep book of account, has less than 10 workers, has no business/enterprise license and works at least four hours a week.”

Excluding people engaged in subsistence farming and those working in private households, a quarter of all employed individuals were employed in the formal sector while nearly three-quarters of the population were employed in the informal economy in 1999. With 87 per cent and 52 per cent of the total rural and urban population involved in informal economy activities respectively, the proportion of informal economy employment is clearly higher in rural areas. This is not surprising given the fact that formal employment opportunities, education and other services that enhance the employability of people are much higher in urban areas.

Regarding the size of youth employment in the informal sector, there were a total of 1,951,728 young people employed in different sectors of the economy in 1999, once again excluding individuals engaged in subsistence farming or working in private households. Youth thereby account for about 32 per cent of the total number of people employed in the informal economy (see appendix 2). About 31 per cent of these lived in urban areas while 69 per cent of them lived in rural areas.

Dividing the youth age group into teenagers and young adults reveals some significant differences in the proportion of employment in the informal economy. While the pattern for young adults employed in the informal economy is similar to that for all age groups, teenagers display a significantly higher percentage of informal economy employment. This is true for both urban and rural areas. In fact urban young adults have a higher proportion of formal economy employment (50 per cent) compared to all age groups employed (47 per cent). The higher proportion of teenagers in informal economy employment compared to young adults might indicate that teenagers find employment in the informal economy as first time job seekers and go on to find employment in the formal economy over time. This corresponds to the finding by Gebreselassie and Krishnanz (1999) that most of entrants to the labour force and those outside of the labour force become self-employed. As a result participation in self-employment increased sharply in 1997 compared to the 1990-94 period.

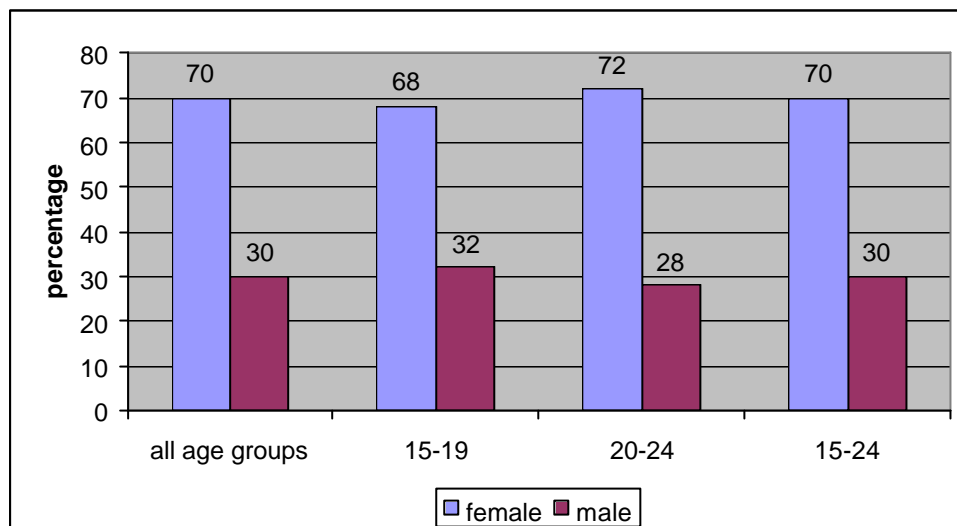
Figure 24: Share of formal and informal youth employment by location, 1999



Source: CSA 1999b.

Further, it is important to investigate if women are disproportionately employed in the informal economy. From figure 25, it can clearly be seen that women of all ages were more often involved in informal activities. Moreover, girls between 15 and 19 were slightly less affected compared to boys of the same age group, while young women between the ages of 20 and 24 were slightly more affected than young men of that age. This might indicate that teenage girls still find jobs in the formal economy, whereas women are increasingly driven towards the informal economy as their age increases.

Figure 25: Informal sector employment by gender, 1999



Source: CSA 1999b.

Finally, another disadvantaged group that often tends to be disproportionately represented in the informal economy is the uneducated population. The labour force survey of 1999 does not provide data on informal economy employment by level of education. Yet, the 2003 Urban Informal Sector sample survey provides some insights into the educational attainment of informal economy operators and employees.⁴⁵ The sample survey estimates that there were 997,386 people engaged in informal activities in urban areas in 2002 and that about half of these people were illiterate. In addition another 40 per cent of them attained only primary education (Grade 1-8). Only the remaining 10 per cent attained secondary school education. Hence, those engaged in the informal economy tend to be the illiterate and less educated. The available data does not show the situation of the uneducated compared to educated youth. However, overall there is minimum difference between youth and the entire labour force (in informal employment, it seems reasonable to expect that this is also true for education levels). This also concurs with the findings in other countries where the youth in informal economy employment are less educated than their counterparts in formal economies.⁴⁶

A final indicator of the size of the informal economy is the informal employment rate, which is the number of individuals involved in informal employment compared to the number of individuals employed in formal employment. The informal employment rate was 19.3 per cent for the entire population in 1999. Furthermore, the rate for men was 10.2 per cent compared to 31.3 per cent for women. Looking even more specifically, the rates for men in rural and urban areas were 7.6 per cent and 33.3 per cent, respectively. For women, it was 28.4 for rural and 53.4 for urban areas. Women are more involved in the informal economy especially in urban areas.

To sum up, although young people as a group do not appear to be disproportionately represented in the informal economy, women as a group are. Both men and women in urban areas are more involved in the informal economy. Moreover, teenagers are slightly more affected. Finally, those workers in the informal economy have lower levels of education.

⁴⁵ CSA 2003.

⁴⁶ See for instance Salih, 2001.

1.e.7 Summary

A large number of individuals of all ages work in the public sector. Compared to their older counterparts, less youths work in agriculture and industry, and more work in services. In the civil service, which is characterized by good working circumstances, youth are equally represented.

Time-related underemployment is prevalent among youth. Rural youth are more likely to be underemployed than their older (rural) counterparts. Among urban youth, there is a slightly higher incidence of underemployment as well as a higher incidence of employment of over 49 hours per week.

More teenagers, but less young adults, work in the informal economy compared to the entire labour force. Overall, three quarters of youth work in the informal economy.

2. Processes that generate this situation in Ethiopia

Both supply and demand factors impact on youth unemployment and underemployment in developing countries. Supply-side issues such as demographic factors that affect the size of labour force and education and training policies affect the labour market outcomes in an economy. Demand-side issues such as the performance of the economy and its absorptive capacity for labour, including enterprise development and job creation are key. Institutional and labour market policies can play an intermediary role between supply and demand in the labour market.⁴⁷

2.a Performance of the economy

The overall performance of the economy has an impact on demand for labour, and thereby, on the degree and structure of unemployment. The ILO (1986) long argued that the fundamental causes of urban and rural unemployment and low incomes in Ethiopia are structural and related to the resource base and limited industrial development opportunities available. These economic factors, lead to a lack of employment opportunities.

It has been argued that youth unemployment rates are more sensitive to changes in aggregate demand than adult rates for a number of reasons. Firstly, it is less costly for firms to fire young workers when aggregate demand falls, since young workers are likely to be less skilled and experienced than their prime age co-workers, embody lower levels of investment by firms in training, and are less likely to be subject to employment protection legislation. Moreover, during economic slumps, the first measure firms are likely to take is to stop recruiting new employees. Since youth are disproportionately affected by unemployment as new entrants to the labour market, this age cohort will be disproportionately affected.⁴⁸ Creating decent employment opportunities for youth requires appropriate macroeconomic policies.⁴⁹ ‘Any poverty reduction strategy requires an embedded macroeconomic policy as well as a clearly employment-focused growth strategy.’⁵⁰

2.a.1 Economic growth and employment

It is important to analyse the performance of the labour market in relation to underlying economic variables. Figure 26 and the accompanying table 5 show an interesting relationship between the demand for labour as approximated by the notified vacancies and the GDP growth rate. The data presented are to be taken as crude indicators since the number of job seekers and the number of vacancies registered with

⁴⁷ O’Higgins 1997, 2003, Godfrey 2003, Salih 2001.

⁴⁸ O’Higgins 1997.

⁴⁹ Godfrey 2003; Salih 2001.

⁵⁰ ILO, 2004b, (pp. 3, 7). The same study emphasises the need for policy coherence and pragmatism.

the employment service offices represents a small proportion of the actual amount of employment available.

A first observation that can be made from table 6 is that GDP growth has been high on average over the period 1995-2002. At the same time, GDP growth shows high variation between the years; this is most likely due to the large role of the agricultural sector in determining GDP growth. Furthermore, both the number of registered job seekers and the number of notified vacancies decreased over time. This might be related, because as fewer vacancies appeared, the incentive to register as a job seeker decrease and vice versa. This suggests that, overall, the role of the placement agencies seems to have decreased over time.

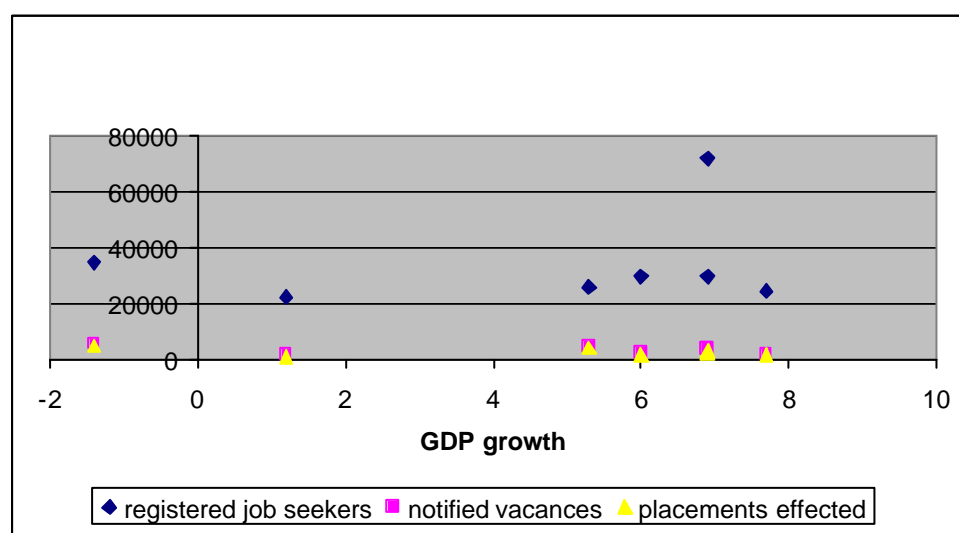
Table 6: Job seekers vacancies and placements, Ethiopia, 2003

| Year | Registered job seekers | Notified vacancies | Placement effected | Vacancies/ seekers (%) | Placements/ vacancies (%) | GDP growth |
|-----------|------------------------|--------------------|--------------------|------------------------|---------------------------|------------|
| 1995/96 | 71 541 | 3 878 | 3 186 | 5.4 | 82.2 | 6.9 |
| 1996/97 | 29 491 | 3 714 | 2 432 | 12.6 | 65.5 | 6.9 |
| 1997/98 | 34 544 | 5 534 | 4 777 | 16.0 | 86.3 | -1.4 |
| 1998/99 | 29 494 | 2 347 | 1 636 | 7.9 | 69.7 | 6.0 |
| 1999/2000 | 25 686 | 4 725 | 4 142 | 18.4 | 87.7 | 5.3 |
| 2000/01 | 24 230 | 1 880 | 1 484 | 7.8 | 78.9 | 7.7 |
| 2001/02 | 22 290 | 1 601 | 1 155 | 7.1 | 72.1 | 1.2 |

Source: MOLSA (various issues); MOFED for GDP growth rate; CSA, 2003.

Furthermore, one would generally expect the level of unemployment to decrease with GDP growth. The scatter plot (figure 26) however, shows that the number of registered job seekers is fairly stable despite various levels of GDP growth. As a check, the number of vacancies as well as the number of placements was plotted in the same graph. These would be expected to rise with GDP growth; however, both show almost no variation for different levels of GDP growth.

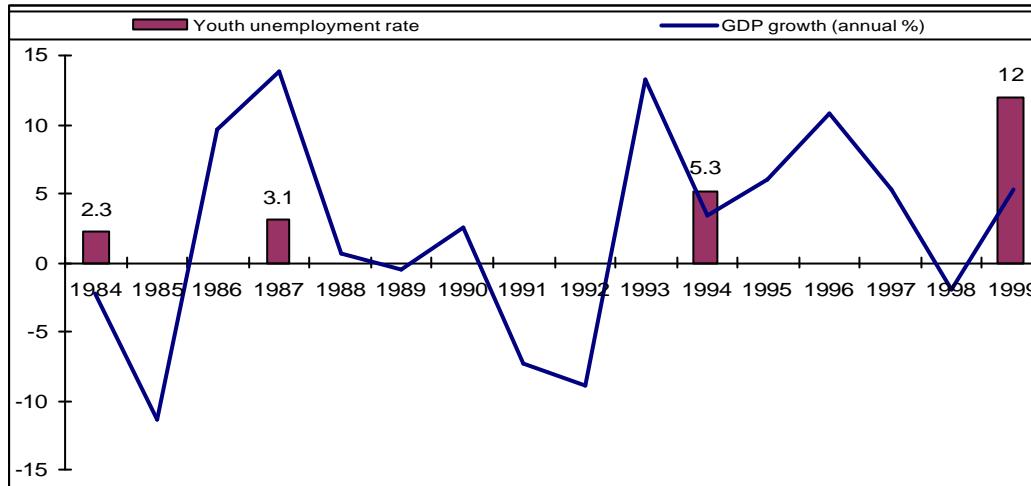
Figure 26: Unemployment and GDP growth, 1995-2002



Source: MOLSA (various issues); MOFED for GDP growth rate; CSA, 2003.

It should once again be noted that the indicators above are poor indicators of unemployment. Moreover, given that the Ethiopian economy is largely agrarian and that the formal sector accounts only for a small proportion of the economic activities, the above analysis of unemployment has very limited relevance to the situation in the country. In as far as the figures give an indication of unemployment, this first assessment seems to indicate that the employment problem is a structural one.

Figure 27: Youth unemployment and GDP growth, 1984-1999

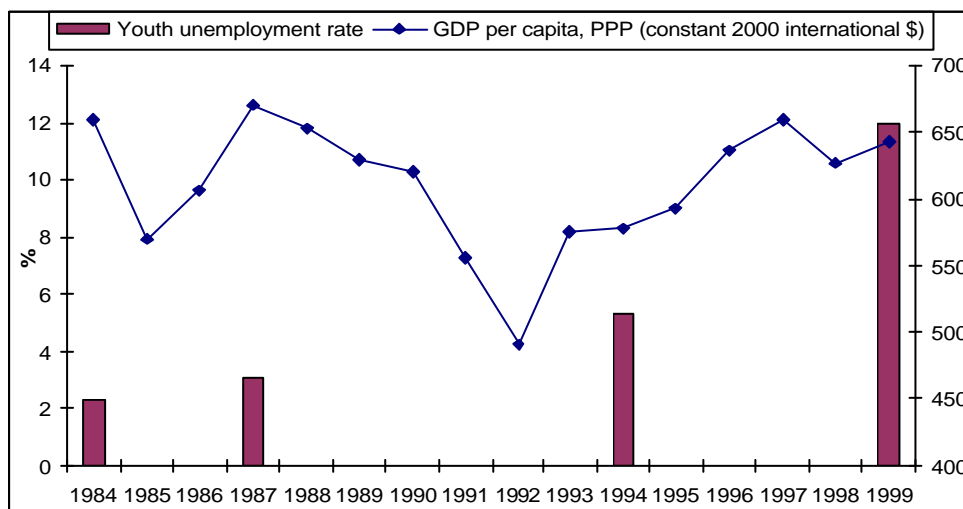


Note: youth unemployment data in 1987 is for rural areas only.

Source: CSA, LFS for youth unemployment figures; World Bank WDI online for GDP growth data.

Comparing the youth unemployment rate to GDP growth (figure 27), it becomes clear that GDP growth has been very volatile, while at the same time, the youth employment rate has increased. It seems logical that unpredictable growth is associated with higher unemployment rates in the long run, especially among youth (for the reasons explained above).

Figure 28: Youth unemployment and GDP per capita



Note: youth unemployment data in 1987 is for rural areas only.

Sources: CSA, LFS for youth unemployment figures; World Bank WDI online for GDP per capita data.

Over the long run, substantial economic growth is expected to have a positive effect on employment opportunities, as economic prosperity enables families to send their children to school, so that they eventually become productive participants of the labour force. Figure 28 shows that GDP per capita (at purchasing power parity) has barely increased over the fifteen years between 1984 and 1999. This led to the reverse result: a lack of growth and an increasing unemployment rate.

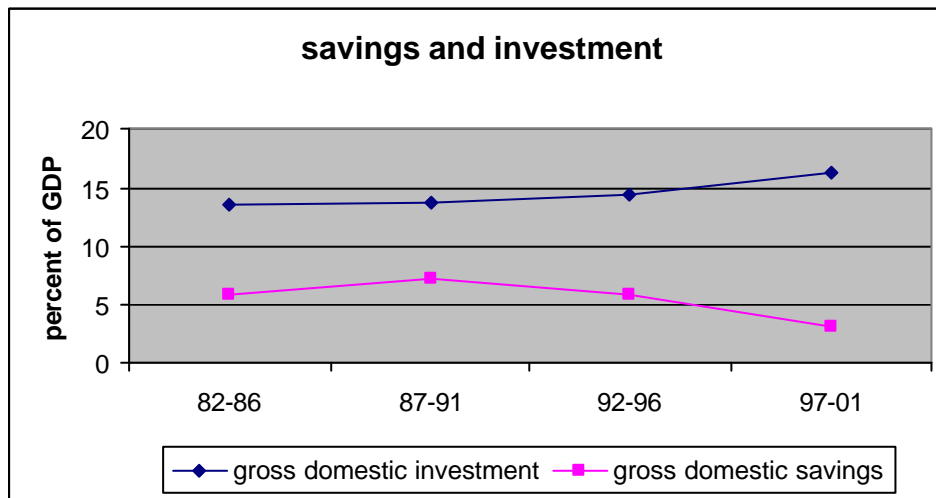
In summary, economic growth has been volatile and GDP-per-capita growth (at purchasing power parity) hardly increased between 1984 and 1999. These factors seem to explain, in part, the increasing youth unemployment rate.

2.a.2 Savings and investment

Although investment has picked up in Ethiopia, savings have fallen. This latter trend runs contrary to the trend for Africa as a whole, where both savings and investment increased slightly. Also, the overall level of both investment and savings is lower in Ethiopia than in Africa generally. In Africa as a whole, investment was over 20 per cent and savings up to 10 per cent in 2002, compared to 16.3 and 3.1 for Ethiopia. The investment-savings gap is a major constraint to economic growth. The difference between investment and saving can generally be explained by public borrowings and official development assistance (ODA). An increase in investment has an enormous potential for creating GDP growth and employment. This could, for example, be achieved through an increase of foreign direct investment (FDI) or ODA, or by encouraging savings.⁵¹

The increase in investment for the period 1997-2001 in Ethiopia seems to have been largely due to an increase in private investment (see figure 29). FDI plays no role, as it has been 0 per cent of GDP over the past decades.⁵²

Figure 29: Savings and investment



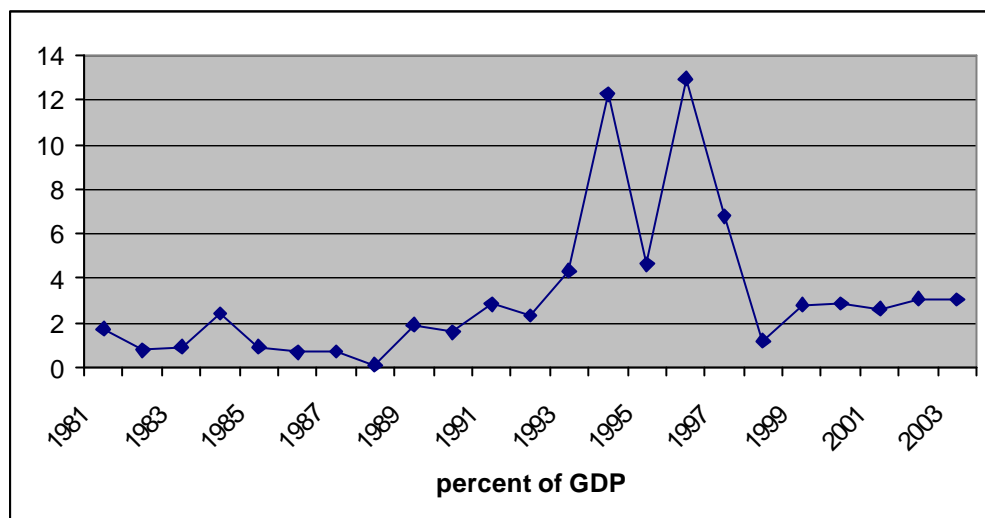
Source: World Bank 2002⁵³

⁵¹ ILO 2004b, p. 10.

⁵² World Bank WDI data.

⁵³ Corresponds to the information in Table 1.

Figure 30: Gross private capital flows (% of GDP)



Source: World Bank WDI data.

2.b Private sector/Enterprise development

As noted earlier, there was very little activity in the private sector during the Derg regime. In recent years, investment in the agricultural sector has led to productivity gains. Furthermore, the Ethiopian government has focussed on creating micro and small enterprises, based on their potential to create employment opportunities, as spelled out in the Industrial Development Strategy of the country.⁵⁴ The Strategy identifies the important role that these enterprises could play in absorbing the young people graduating from schools and colleges.

The Federal Micro and Small Enterprise Development Strategy Agency (FeMSEDA) oversees the promotion of micro and small enterprises development, while the direct support and promotional activities are carried out by institutions established at the Regional States (ReMSEDA). Over the past few years the Regional Governments have promoted MSEs by providing training and counselling, finance and credit facilities, organizational support, production and marketing space, market facilities and raw material supplies.

MSEs currently constitute 90 per cent of industrial employment.⁵⁵ Table 7 presents some data for six Regional States regarding two of the crucial forms of support (credit facilities and working space) provided to MSEs to accelerate their development in 2004. Addis Ababa, Amhara, Tigray, Oromia, South, and Dire Dawa Regions together provided more than 110 million Birr (approximately 12.6 million dollars) in credit to small and micro enterprises in 2004. Addis Ababa and Tigray States extended more than Birr 44 million⁵⁶ and Birr 33 million respectively. The problem of working space constrains the performance of most micro and small enterprises; for this reason, the Regional States have prepared and arranged working spaces for a number of enterprises during the same period. In total, the six Regions have supplied 1,045,717 m² of working space to micro and small enterprises and more than 62,417 operators of MSEs have benefited from such arrangements (see Appendices 5 and 6). In addition, the MSE Development Agencies have undertaken market support, business development services, training and counselling support for micro and small enterprises.⁵⁷

The results of the support provided to MSEs as shown in table 6 are encouraging. In all six regions, a total of 72,577 *new* jobs were created in micro and small enterprises, nearly 63 per cent in Addis Ababa. Support was provided to a total of 32,872 existing jobs to ensure their sustainability. However, as it cost 1,516 birr on average to maintain these jobs, it remains to be seen whether it is a

⁵⁴ FDRE 2002.

⁵⁵ Ethiopia's Micro and Small Enterprises survey, from: Laderchi and Gosse, 2005.

⁵⁶ The exchange rate in September 2005 was 1 USD = 8.7 ETB.

⁵⁷ FMSEDO 2004a.

viable investment in terms of productivity. The data do not reveal the age distribution of the newly employed persons. But, as the programme particularly targets youths, it is to be expected that youths have been one of the prime beneficiaries.

Table 7: New employment opportunities created with MSEs

| Region | Number of employment opportunities created with MSEs by sector | | | | | |
|-----------------|--|----------|--------------|----------|--------|--------|
| | Agriculture | Industry | Construction | Services | Others | Total |
| Addis Ababa | 679 | 7 782 | 3 063 | 34 027 | - | 45 551 |
| Amhara | 1 129 | 1 357 | 2 332 | 2 239 | - | 7 054 |
| Tigray | 827 | 223 | 906 | 2 006 | 1 278 | 5 240 |
| Oromia | 830 | 2 854 | 3 035 | 1 063 | - | 7 782 |
| Southern People | 1 587 | 1 924 | - | 1 086 | - | 4 597 |
| Dire Dawa | - | 233 | 2 070 | 50 | - | 2 353 |
| Total | 5 052 | 14 370 | 11 406 | 40 417 | 1 278 | 72 577 |

Source: FMSEDO (2004a)

Some numbers on medium and large-scale private investment made in Ethiopia are presented in table 8. Between 1992 and 2003, about 8,297 projects with a total investment capital of Birr 91.6 billion were registered and approved. This investment is estimated to have the potential to create permanent employment opportunities to 522,423 people and temporary employment opportunities to 439,890 people. In total, these new private investments are expected to create employment opportunities to almost a million people.

Table 8: Number, investment capital and employment creation of projects (1992–2003)

| Description | Amount |
|--|-------------|
| Approved | |
| • No. of projects | 8 297 |
| • Investment capital (in million Birr) | 91562 |
| • No. of permanent jobs | 522 423 |
| • No. of temporary jobs | 439 890 |
| Operational | |
| • No. of projects | 2 156 (26%) |
| • Investment capital (in million Birr) | 19 069 |
| • No. of permanent jobs | 93 529 |
| • No. of temporary jobs | 319 939 |
| Under implementation | |
| • No. of projects | 1 265 (15%) |
| • Investment capital (in million Birr) | 24 217 |
| • No. of permanent jobs | 100 254 |
| • No. of temporary jobs | 22349 |

Source: EIC (2004).

The transition of these licensed investment projects into the implementation and operation phase is slow; it even remains to be seen whether they will be realized. Out of the 8,297 investment projects licensed between 1992 and 2003, only 2,156 (26 per cent) of them have become operational so far, while another 1,265 (15 per cent) are under implementation. The operational firms are estimated to have created 93,529 jobs while the projects under construction are expected to provide permanent employment opportunities to 100,254 jobs. These two groups of investment projects are estimated to create temporary employment opportunities to 342,288 people.

Compared to the fast growth in the labour force, the jobs created by medium and large-scale private investments over the last decade are not enough to absorb the number of young people who enter the labour market every year. As long as the realization of the investment projects remains sluggish and consequently also the number of jobs created every year, the opportunities for youth will be narrow.

Moreover, certain negative attitudes towards entrepreneurship exist among youth, among other things due to previous education and employment policies. Individuals in the labour force also tend to have very high expectations and prefer white-collar government jobs or other work, self-employment or entrepreneurship.

2.c Demographic factors

2.c.1 Population growth

The greater the number of young people in the labour market, the more employment opportunities required to absorb them. A review of empirical studies for OECD revealed that the size of the youth relative to the rest of the population does have significant implications for the youth unemployment rate, and that aggregate labour market conditions have a more important influence than youth size. The implication is that a decrease in the relative size of the youth cohort might be necessary but is not sufficient to address the problem of unemployment.⁵⁸

An alternative hypothesis states that labour markets with more young people are more flexible and provide employers with more incentives to expand employment opportunities.⁵⁹ However, this hypothesis does not seem applicable in the case of Ethiopia; findings show that youth are less well off compared to their older counterparts. As long as the proportion of the economically-active youth labour force increases with the increase in total population size, then youth unemployment will also rise unless the demand for labour grows to absorb the additional labour force. The faster growth in the size of the youth labour force coupled with very slow growth in job opportunities in the formal sector is therefore likely to worsen the unemployment problem for young people.

The population policy of the country aims at closing the gap between the high population growth and low economic productivity by means of a planned reduction of population growth and an increase in economic returns, as well as a reduction of the rate of rural to urban migration. For this purpose, the policy of the Ethiopian Government is envisaged to reduce the total fertility rate from 7.7 children per woman in 1993 to approximately 4.0 by the year 2015, as well as increasing the prevalence of contraceptive use by more than fourfold from 4 per cent to 44 per cent by the year 2015.⁶⁰ Preliminary assessments of the progress made and the implementation of the policy indicate that fertility rates have decreased corresponding to increased contraceptive use.⁶¹ The fertility rate was estimated to have dropped to 5.33 per woman for 2005.⁶² Even if this trend continues, the impact on the size of the labour force could only be realized over a long run period.

⁵⁸ O'Higgins 1997:34.

⁵⁹ Shimer 2001.

⁶⁰ TGE 1993a.

⁶¹ Mitiku 2003.

⁶² CIA fact book.

2.c.2 Migration flows

At the country level, it is expected that for some years Ethiopians who fled to Sudan for refuge from war and famine in earlier years will continue to repatriate. In addition, there are Sudanese and Somali refugees that continue to return to their homes after fleeing to Ethiopia from the fighting or famine in their own countries.⁶³

Within Ethiopia, internal migration flows are largely driven by job opportunities. Figures from 2000 on the main reasons for migration show that permanent migrants move mainly because of job assignment, whereas temporary migrants move mainly because of better conditions. Substantial differences exist by gender, as permanent migration among women occurs mainly for reasons to do with family and marriage.⁶⁴

Furthermore, it was found that those who migrate face favourable labour market outcomes. They tend to be better educated, have 10 per cent higher employment rates than non-migrants. Moreover, family income of migrants is 10 per cent higher on average than family income of non-migrants. Since large wage differentials exist, one would expect higher migration and urbanization levels.⁶⁵

Several factors seem to explain the relative low level of migration. The lack of a well-established system of property rights for land and uncertainty due to redistributions is one factor.⁶⁶ Thus, if a person decides to leave his or her land to migrate to an urban area, there is no guarantee that they will still own the property upon return. This clearly reduces incentives to migrate permanently. Other factors may play a role, such as the large number of different languages spoken, including Amharic, Tigrinya, Oromigna, Guaragigna, Somali, Arabic and other local languages. Religious and cultural reasons may also play a role.

2.d Education and training policy

Another possible supply side factor impacting on unemployment in Ethiopia is educational and training outcomes. As indicated, participation in education has shown remarkable growth in recent years. This has not yet, however, led to a reduction in the activity rate of youth in the labour force, probably due to the fact that whereas children below 15 are now going to school, it will take a while till this effect will become visible in the statistics for the age group 15 and 24. At the same time, there is the possibility that the high poverty rate obliges many young people to enter the labour market while they are also enrolled in school. Therefore, increased school enrolment rates *per se* will not lead to lower participation rates among young people. Better education opportunities can only make a true contribution when economic circumstances improve simultaneously, reducing young people's burden of contributing to the household's income.

The recent increase in the enrolment rates in primary education mean that in the future, illiterate unemployment is likely to be less prevalent. In order to bridge the gap for those illiterate individuals that are currently unemployed, basic education could be provided to unemployed (young) adults.

In order to better prepare youth for the labour market situation, Technical and Vocational Education and Training (TVET) has been provided. The training constitutes a reform of the old education system, which comprised six years of primary education, two years of junior high school and two years of high school. This system was seen as too academic, delivering high school graduates with no appropriate skills for the job market and the expectation of receiving a white-collar job. This expectation had in part evolved under the military regime of the Derg that guaranteed a job to graduates of the twelfth grade. Only between 10-15 per cent of the total number of students attended universities and colleges, while the others were left with no technical or vocational skills.⁶⁷

⁶³ CIA world fact book.

⁶⁴ Ruggeri Laderchi C. and Gosse E.N. (2004), Labor markets in Ethiopia: an overview and hypothesis for further research, unpublished, World Bank.

⁶⁵ Ibid.

⁶⁶ Ibid.

⁶⁷ According to MoE (2002b) the annual intake of the TVET institutions was only about 1,000 per annum, which is extremely low given the number of secondary school students [more than 357,000 students in 1994 (MoE 1999b)].

The inadequacy of the earlier education system had several consequences that are still visible in the current situation. The excessively academic orientation contributed to creating the wrong kinds of attitudes and job expectations on the part of youth, including the preference for white-collar jobs as opposed to agricultural and manual work. Besides, the proportion of high school graduates in the unemployed labour force increased, particularly in urban areas. Figure 16 above shows that more than 22 per cent of unemployed urban youth are grade 12 graduates, which is an obvious waste of resources. The combination of employment preference and the lack of technical and vocational skills necessary to become self-employed encouraged youth to look to government for job opportunities.⁶⁸

The new education system has eight years of primary education conforming to the guidelines defined by Millennium Development Goals; then, either one or two years of TVET to teach students practical skills. Training areas include technical studies such as metal work, handicrafts, basic management and training of teachers. The new education policy also envisages the provision of extensive vocational training (lasting 6 months – 1 year) to students who might drop out after eight years of primary level education.⁶⁹

As became clear in section one, a high level of educated unemployment is not a characteristic feature of the Ethiopian labour market, partially because of the low level of the country's educational attainment. Regarding the employment impact of TVET in general and agricultural training in particular, there are positive indications both in urban and rural areas. Youth who have taken training in agriculture have two options. First, they have acquired specialized training that can help them start their own business. For this purpose, regional governments have promised the provision of the necessary credit. A number of youth have followed this option. Second, the regional bureaus of agriculture can employ the trained youth as development agents.⁷⁰

In 2001 about 87,431 students were enrolled in all the colleges and universities in the country, attending diploma to postgraduate courses. These figures increased to 101,829 in 2002.⁷¹ The country's Sustainable Development and Poverty Reduction Programme (SDPRP) has as its target that 130,000 students should be enrolled in Technical and Vocational Education Training (TVET) institutions by the end of 2004/05 (or equivalently 55,000 annual intakes). A further target of the programme is to expand undergraduate intake capacity of all its tertiary/higher education institutions in the country to reach 30,000 per annum by the end of 2004/05, and expand the postgraduate intake capacity of higher education institutions to reach 6,000 by 2004/05.⁷² These programme targets are very high and will substantially increase the supply of educated youth in the domestic labour market.

The implication is that unless the economy concomitantly expands to absorb the increasing number of young graduates, young educated unemployment could prevail as a new feature of the youth labour market in Ethiopia.

2.e Failure in labour market information and counselling

Labour market information and counselling play an important role in providing the efficiency of the labour market. Labour market information is scarce, and moreover is not available to all job seekers.

The Ministry of Labour and Social Affairs (MOLSA) is responsible for registration of job seekers and vacancies. MOLSA also recruits and refers candidates to employers. In addition, the Ministry maintains data on employment, working conditions and industrial relations. The employment exchange service in regions is the responsibility of regional Bureau of Labour and Social Affairs (BOLSA). Currently there are about 49 employment service offices throughout the country. These offices register job seekers and advertise vacancies. MOLSA and the regional offices register job seekers upon presentation of the necessary document and evidence. Lack of such services puts new entrants in the job market at a disadvantage. An indication of the extent to which the employment services are utilized can be inferred from the method of job search by the unemployed (table 9).

⁶⁸ ILO 1986; MoE 2002b.

⁶⁹ MoE 200b.

⁷⁰ A development agent is trained to advice farmers on how productivity can be increased.

⁷¹ MoE 2002.

⁷² MOFED 2002:xiii

Firstly, comparing unemployed youth to the unemployed of all ages, it is clear that the overall pattern is quite similar. The most popular means of seeking a job are trying to establish an enterprise, checking work sites, relatives and friends and looking at the advertisement board. A higher percentage of youth search for a job on an advertisement board compared to all unemployed, and less try to establish an enterprise, although it is used by 75 per cent of youth (aged 15-24). Secondly, differences can be observed between teenagers and young adults. For teenagers, the greatest proportion, about one third, sought jobs through the establishment of own enterprises, compared to one fifth of the young adults.

Table 9: Percentage distribution of methods of searching for work by the unemployed (1999)

| Steps taken to seek work | Percentage of steps taken by age group | | | |
|---------------------------------------|--|----------------------|-------------------------|----------------------|
| | All ages (>10 Years) | Teenagers (15-19) | Young adults (20-24) | All youth (15-24) |
| Acquired unemployment card | 4.76 | 3.89 | 7.06 | 5.76 |
| Made application for job | 5.59 | 2.62 | 6.86 | 5.11 |
| Search on vacancy advertisement board | 17.48 | 16.45 | 25.39 | 21.71 |
| Seek through news paper, radio and tv | 2.14 | 1.37 | 2.45 | 2.00 |
| Seek through friends and relatives | 15.47 | 18.38 | 15.88 | 16.91 |
| Checking at work sites | 20.63 | 20.97 | 18.94 | 19.77 |
| Trying to establish own enterprise | 29.92 | 31.63 | 20.01 | 24.80 |
| Others | 3.75 | 4.17 | 3.02 | 3.49 |
| Not stated | 0.27 | 0.53 | 0.38 | 0.45 |
| Total | 100.00 | 100.00 | 100.00 | 100.00 |

Source: Calculated from CSA (1999b).

Only 6 per cent of the job seekers registered with the employment exchange offices. The methods that are commonly used in job search are expensive and they are likely to especially disadvantage groups such as low-income people or people with little education. Further, the success of the TVET programme will partly depend on the extent to which the graduates are properly and adequately counselled regarding the labour market.⁷³ Currently there is a lack of trust in the Public Employment Services both on the part of job seekers and employers, as illustrated by the continuous decline of registrations over the years.

Recently, the government has issued a proclamation to provide for the establishment of private employment agencies that provide employment services to job seekers.⁷⁴ There are currently about twenty private employment agencies operating in Addis Ababa.⁷⁵ The role of these agencies is still minor - collect a little less than 2,000 vacancies in 2003.

To sum up, with a large number of educated youth (with at least a TVET certificate and Diploma) entering the labour market, improving the labour market services takes on special importance. In this respect, the emergence of private employment agencies seems a positive development.

2.f Labour market policies and institutions

Recent reforms in the institutional and labour market policies are likely to have had an impact on the unemployment problem in the country. The prevailing labour code and wage policies during the communist period emphasized the preservation of labour rights.⁷⁶ The laws introduced rigidities with respect to the hiring and firing of workers, set minimum wage standards regardless of market conditions, encouraged unionization of labour particularly in the public sector, and established a centralized recruitment system and segmentation of the labour markets. Mengistae (2000), reports that there is a huge public sector pay premium and that this phenomenon seems to have contributed to the phenomenon of

⁷³ Godfrey 2003.

⁷⁴ FDRE 1998.

⁷⁵ Information obtained from the Addis Ababa City Government.

⁷⁶ PMAC 1975c.

queuing for public sector jobs in Ethiopia. This, in turn, creates unrealistic expectations and encourages voluntary unemployment until a job can be found in the public sector.

Table 10: Rigidity of employment index (0=less rigid to 100=more rigid) for several countries and regions 2004

| | |
|-------------------------|----|
| Ethiopia | 43 |
| Europe and Central Asia | 41 |
| EMU | 49 |
| France | 66 |
| High income | 32 |
| Kenya | 24 |
| Low income | 59 |
| OECD | 34 |
| South Africa | 52 |
| Sub-Saharan Africa | 56 |
| UK | 20 |
| US | 3 |

Note: The rigidity of employment index measures the regulation of employment, specifically the hiring and firing of workers and the rigidity of working hours. This index is the average of three sub-indexes: a difficulty of hiring index, a rigidity of hours index and a difficulty of firing index. The index ranges from 0-100, with higher values indicating more rigid regulations.

Source: World Bank WDI on line data, based on the Doing Business Project (<http://rru.worldbank.org/DoingBusiness/>).

These expectations were further fuelled by employment guarantee provided by the government to all college and university graduates in the public sector. All graduates were centrally allocated to placements in the civil service or public enterprises. These encouraged unemployed graduates to expect a job in professional, managerial, technical or clerical positions irrespective of the quality of the skills acquired or their functional value in the labour market. According to an ILO (1986) study, employers witnessed high salary expectations, premature expectations of positions of responsibility, and 'wrong attitudes to work on the part of the young graduates. These problems seem to exist mainly among privileged youth with a relatively high education. The existence of a large informal economy as well as difficulties in enforcing compliance with minimum wage regulations decreases the relevance of the issue to the largest part of the labour force in Ethiopia.⁷⁷

The various reforms in the labour market, institutions and related economic policy over the past decade⁷⁸ are likely to have a psychological impact. The attitude towards the government and the public sector as the sole provider of employment and the very high salary and position expectations of the educated have started to change.

An overall indication of labour market rigidity can be found in the form of the rigidity of employment index. The numbers presented in table 10 indicate that Ethiopia had relatively low labour market rigidity in 2004 as compared to other countries. Ethiopia's labour market is less rigid than the group of low-income countries as well as the group of Sub-Saharan African countries. Labour market reforms in Ethiopia thus seem to have succeeded in making the labour market more flexible.

Another factor impacting on the labour market and the level of unemployment is the composition and level of government tax. After 1991, the government took measures to reform the tax system. A recent working paper (2003) by the IMF found that taxes in Ethiopia are progressive, mainly due to the occurrence of in-kind transactions amongst the poorer households. The replacement of the sales tax by Value Added Tax in 2001 has not had a major negative impact on the poor. The incidence of extra revenue, which was spent on poverty-reducing activities, is mixed, as extra expenditure on education mainly benefited the rich whereas extra expenditure on health benefited the poor.

⁷⁷ O'Higgins 2003:42.

⁷⁸ See description in section 1.a.3

2.g Youth policies and institutions

Youth policies and institutions play a significant role in bringing youth issues to the forefront and, therefore, in policy initiatives.

2.g.1 Some historical background

Since the second half of the last century the Ethiopian educated youth have actively participated in the political and economic activities of the country. But until very recently there was no specific youth policy that specifically addresses youth issues in the country. In addition until very recently youth issues were never handled by high profile government ministers and were often handled by different government institutions.

During the military regime between 1974-91, a strong mass organization of youth was established - Revolutionary Ethiopia Youth Association (REYA). REYA had about 3.8 million members out of the more than 9 million youth then in the country.⁷⁹ The Association ran several programmes, including a literacy campaign, military service as well as the provision of social services such as first aid, dissemination of primary health information, as well as assistance in the rebuilding of homes for old people and persons with disabilities. Members were also involved in labour intensive public works such as the planting of trees, construction of parks roads and bridges. Agricultural work at co-operatives and state farms was another programme. Finally, recreational activities were organized such as musical groups and sports teams. Youth were involved in these programmes mostly without payment. Positive results of such programmes are the results of literacy campaign and the rural works and labour intensive approaches pursued in executing public works.⁸⁰

Weaknesses include that too many programmes were carried out on too small a scale. Secondly, the programmes reached youth in schools and colleges, not out-of-school youth who needed the programmes most. Third, the participation of girls was low compared to that of boys.⁸¹ Generally, the Association was highly politicized and was often manipulated for political purposes by the government. The Association was therefore unable to play an advocacy role in order to promote the interest of youth, particularly with regard to employment opportunities.

2.g.2 Recent developments

With the advent of a new government in 1991 the Association was dismantled. The uncertainties created by political change were not conducive to youth organization. Gradually, youth have organized themselves under various umbrellas and most of the Regional States have Regional Youth Associations. Recently, these Regional Associations have come together to discuss ways of establishing a National Youth Association.

These Regional Associations and other youth organizations are involved in different activities including HIV/AIDS prevention and control, education, forestation, neighbourhood cleaning and greening, sports, art and culture, summer placements and work programmes of college and university students, and employment generation schemes. As many of the programmes run by youth organizations are not focussed on employment generation, the evaluation of the achievements of the programmes is beyond the scope of this paper.

An important development in the promotion of youth issues is the establishment of the Ministry of Youth, Sports and Culture in 2001. A similar bureau was established in all the Regional and City States. The Ministry of Youth, Sports and Culture is entrusted with the powers and duties to initiate policy and laws relating to youth and upon approval, follow up their implementation; create an environment conducive to the emergence of healthy and responsible youth; provide the necessary support to enable youth to actively participate in the building of a democratic society based on the principles enshrined in

⁷⁹ ILO 1986:76.

⁸⁰ ILO 1986.

⁸¹ ILO 1986:83-86.

the constitution; encourage youth to respect and promote the cultural values of the peoples of the country.⁸²

These are obviously a lot of tasks that involve a lot of stakeholders. Again the challenge would then be to clearly identify the duties and responsibilities of each stakeholder and mobilize such for the required purpose. Interviews with officials and experts with the Ministry and Bureau reveal that youth issues have indeed attracted political attention from the government. At the same time, the political will and commitment to translate initiatives into concrete and workable projects and programmes remain to be demonstrated.

2.g.3 The 2004 Youth Policy

In 2004, Ethiopia for the first time designed a national policy that specifically deals with youth issues. The policy acknowledges the disproportionate representation of youth and particularly the position of disadvantaged youth, such as women in unemployment. The Youth Policy also acknowledges the role of the informal economy in providing employment in the country and the disproportionate representation of the youth. Moreover, the widespread belief held by society at large and by youth in particular that the government is the sole body entrusted with the responsibility of solving the unemployment problem is accorded due attention in the Policy. Finally, the Youth Policy recognizes the problem associated with the educational system of the last regime and its role in the aggravation of unemployment in the country.⁸³

The Policy seeks to deliver a democratically oriented, knowledgeable and skilled, organized and disciplined youth generation. The goal is to enable youth to play an active role in building a democratic society and good governance, as well as in social and economic development.⁸⁴ Generally, the Policy envisages the creation of a conducive environment for youth to play an entrepreneurial role rather than wait for employment in other sectors. It also envisages the promotion of the private sector in the creation of employment opportunities and the establishment of mechanisms that ensure the participation of the youth in such employment opportunities. The policy accords due attention to rural youth and has as its aim to ensure that rural youth have access to agricultural and grazing land, thereby increasing their productivity. Moreover the policy envisions the encouragement of off-farm activities with a view to expand employment opportunities for youth.⁸⁵

Youth policies are generally categorized into two major areas. It is argued that some youth policies focus entirely on the development and welfare of the youth. Such policies place greater emphasis on the autonomy, discretion, self-determination, privacy and space of the individual. Other youth policies put more emphasis on nation building and youth development and maintain that the welfare and development of youth is better accommodated in the context of the interest of the country as a whole.⁸⁶ The new Youth Policy of Ethiopia falls within the second category as it attempts to resolve the youth issue within the context of national economic development, and creation of democratic society and good governance.

The Youth Policy is in its infancy in terms of implementation. The design of the Youth Policy itself signifies attention accorded to youth issues.

Although the Policy makes reference to the development of micro and small enterprise (MSE), little attention is paid to what is already happening in the country. The key instrument that Regional and City Governments are pursuing to expand employment opportunities for youth is MSE development. In fact, some Regional States like Oromia Region have designed an advanced and exhaustive Youth Policy and Strategies. The Oromia National Regional State has identified different types of youth groups, and requires different types of intervention. It has categorized the youth population into the following groups: the privileged youth (e.g., those at school), those not attending school, those without family, very poor

⁸² FDRE 2001.

⁸³ FDRE 2004.

⁸⁴ FDRE 2004.

⁸⁵ FDRE 2004:27.

⁸⁶ Cheng 2002:7.

youths, unemployed youth, etc. It has also outlined the specific intervention instruments, programmes and projects required to improve the position and welfare of each and every youth group.⁸⁷

Conclusion

The youth population and youth labour force both constitute a growing proportion of the Ethiopian population. The youth population faces a higher level of unemployment than their prime age counterparts. In spite of this fact, youth issues were given only limited attention in the development policies of the country until recently.

Significant differences exist within the youth cohort across location (urban/rural), gender, and education. While the unemployment rate is 7.2 per cent for rural youth, it is 37.5 per cent for urban youth. By contrast, rural youth face higher levels of underemployment, as more than a third work less than 12 hours a week, and as the average number of hours worked was 21.3, compared to 23.1 for all youth in 1999. Work in the informal economy occurs especially in rural areas, with about 90 per cent of rural youth working in the informal economy in 1999. In urban areas, teenagers are more likely to work in the informal economy (68 per cent), compared to only 48 per cent of youth. Teenagers also face more transitory unemployment compared to other age groups.

Concerning gender, it becomes clear that a gender gap exists. Literacy rates are especially low among women. Participation rates also differ more widely between men and women than they do between youth and prime age adults. Reasons for inactivity include home making for rural women and most often being a student for urban men. Unemployment rates among youth were 17.3 per cent for women and 6.9 per cent for men in 1999. Of those working in the informal economy, about 70 per cent are women for all age groups. Women marry earlier than men – a reflection of the different opportunity structure for men and women. Firstly, women may leave the labour force when marrying, which would explain the number of women unpaid family workers. Secondly, the expectation of marrying early may discourage women's education. The low literacy rate among young women, may, in turn explain their higher level of unemployment, as well as their high participation in the informal economy.

Concerning education, although there is a growing population of high school educated workforce, the majority of the unemployed are uneducated or with limited education. Respectively 44.5 per cent and 32.6 per cent of the unemployed youth were illiterate or had only primary education. In urban areas, figures were different, and some educated employment was found to exist.

A significant group of mainly young, educated women find employment abroad; mainly as domestic servants in the Middle East. In as far as their rights are respected, this could be viewed as a positive phenomenon, as remittances can play a large role in the development of a country.

Many factors contribute to the disadvantaged position of youth in the labour market and to the unequal distribution of work between different groups of youth. GDP growth has been volatile due to the war with Eritrea, the 2001 drought and other weather circumstances with clear implications for employment in general and youth employment in particular. The current policy emphasis to address the employment challenge through the promotion of the private sector, expanding investment to improve the productivity of agriculture and introducing off-farm non-agricultural activities for the purpose of employment diversification in rural areas has resulted in some recovery and overall macroeconomic stability in the country. The role of the private sector has improved in recent years, but compared to the daunting economic and social problems the country is experiencing, much remains to be done. This is particularly clear in the very slow translation of licensed private investment into implementation and operational phases. The productivity gains registered with investment in the agricultural sector still need to be sustained and reinforced by engaging the rural labour in off-farm activities on a large scale. The structure of the Ethiopian economy has indeed remained unchanged, displaying a predominantly agrarian society where the majority of the population live in rural areas and earn their livelihoods from agriculture and animal husbandry.

Furthermore, some institutions might have hampered the optimal functioning of the labour market. Training and education institutions were too academic, while rigid labour market and institutional policies impeded employment growth. Both education and labour market institutions have undergone

⁸⁷ BYAS 2002a; BYAS 2002b.

drastic changes over the past decade. As the education coverage and particularly higher-level education expands, the availability of employment services assumes greater importance, and emerging private employment services seems a positive development in this respect.

Several policies have achieved positive results in recent years. Among these is the recent initiative to promote micro and small enterprise (MSE). Also, measures to control population growth have also had some effect over the past years. The 2004 Youth Policy acknowledges the necessity of implementing specific measures targeted at youth and is a good starting point for the further policy measures.

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Appendices

Appendix 1: Temporal pattern of employment in the formal medium and large-scale manufacturing sub-sector by Industry

| Industrial Group | 1998 | 1999 | 2000 | 2001 | 2002 | Rate of change (1998-2002) % |
|--------------------|--------|--------|--------|--------|--------|---------------------------------|
| Food & Beverage | 26,618 | 27,766 | 29,178 | 28,082 | 29,652 | 11.40 |
| Textile & Garments | 29,283 | 29,504 | 27,499 | 28,004 | 26,054 | (11.03) |
| Leather & Footwear | 7,589 | 7,183 | 6,989 | 7,040 | 6,740 | (11.19) |
| Wood & furniture | 5,441 | 5,222 | 5,103 | 5,263 | 6,458 | 18.69 |
| Paper & Printing | 5,554 | 5,497 | 5,888 | 5,519 | 6,142 | 10.59 |
| Chemical | 7,220 | 6,965 | 7,431 | 7,470 | 9,398 | 30.17 |
| Non-Metallic | 7,229 | 6,864 | 7,269 | 7,328 | 8,232 | 13.87 |
| Metal | 4,282 | 4,677 | 5,650 | 4,809 | 5,460 | 27.51 |
| Total | 93,216 | 93,678 | 95,007 | 93,515 | 98,136 | 5.28 |

Source: Tekeste 2003.

Appendix 2: Employment in the Ethiopian public civil service

| Age Group | 1995 | 1996 | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 | Avg. growth rate p.a |
|-------------------|---------|---------|---------|---------|---------|---------|---------|---------|---------|----------------------|
| 18-22 | 18,092 | 19,513 | 18,947 | 18,493 | 20,011 | 20,877 | 23,526 | 25,061 | 25,056 | 4.29 |
| 23-27 | 42,521 | 47,562 | 62,949 | 69,474 | 70,498 | 71,478 | 71,650 | 73,108 | 72,416 | 7.35 |
| > 27 | 145,861 | 173,073 | 200,858 | 221,167 | 232,784 | 246,053 | 246,618 | 266,346 | 250,128 | 7.24 |
| NS ¹ . | 29,175 | 45,399 | 25,856 | 7,755 | 13,134 | 12,437 | 20,794 | 11,828 | 41,303 | 34.99 |
| Total | 235,649 | 285,547 | 308,610 | 316,889 | 336,427 | 350,845 | 362,588 | 376,343 | 388,903 | 6.61 |

¹ Not specified.

Source: Federal Civil Service Commission (2003)

Appendix 3: Size of employment in formal vis-à-vis informal sectors

| Type of Employment | Percentage employed by group | | | |
|-----------------------|-------------------------------|----------------------|-------------------------|----------------------|
| | All Age Groups (>10 years) | Teenagers (15-19) | Young Adults (20-24) | All Youth (15-24) |
| <i>All Employed</i> | 6,590,171 | 1,001,055 | 950,673 | 1,951,728 |
| Formal | 1,625,381 | 140,935 | 235,361 | 376,296 |
| Informal | 4,887,526 | 848,135 | 702,536 | 1,550,671 |
| Ns | 77,264 | 11,985 | 12,776 | 24,761 |
| <i>Urban Employed</i> | 2,370,413 | 261,083 | 339,744 | 600,827 |
| Formal | 1,113,039 | 78,375 | 168,430 | 246,805 |
| Informal | 1,222,194 | 177,467 | 164,469 | 341,936 |
| Ns | 35,180 | 5,241 | 6,845 | 12,086 |
| <i>Rural Employed</i> | 4,219,758 | 739,972 | 610,929 | 1,350,901 |
| Formal | 512,342 | 62,560 | 66,931 | 129,491 |
| Informal | 3,665,332 | 670,668 | 538,067 | 1,208,735 |
| Ns | 42,084 | 6,744 | 5,931 | 12,675 |

Appendix 4: Percentage of people employed in formal vis-à-vis informal sectors

| Type of Employment | Percentage employed by group | | | |
|-----------------------|--|------------------------------|---------------------------------|------------------------------|
| | <i>All age groups (>10 years old)</i> | <i>Teenagers (15-19)</i> | <i>Young adults (20-24)</i> | <i>All youth (15-24)</i> |
| <i>All Employed</i> | 100 | 100 | 100 | 100 |
| Formal | 25 | 14 | 25 | 19 |
| Informal | 74 | 85 | 74 | 79 |
| n.s. | 1 | 1 | 1 | 1 |
| <i>Urban Employed</i> | 100 | 100 | 100 | 100 |
| Formal | 47 | 30 | 50 | 41 |
| Informal | 52 | 68 | 48 | 57 |
| n.s. | 1 | 2 | 2 | 2 |
| <i>Rural Employed</i> | 100 | 100 | 100 | 100 |
| Formal | 12 | 8 | 11 | 10 |
| Informal | 87 | 91 | 88 | 89 |
| n.s. | 1 | 1 | 1 | 1 |

n.s.: refers to not stated. Source: CSA (1999b).

Appendix 5: Total number of job-seekers registered with labour offices by age

| Year | Age group | | | | | | Total |
|------|-----------|--------|-------|-------|-----|-----|--------|
| | 15-19 | 20-29 | 30-39 | 40-49 | >50 | NS | |
| 1995 | 22,269 | 41,181 | 6,422 | 1,547 | 122 | | 71,541 |
| 1996 | 8,534 | 16,668 | 3,578 | 635 | 76 | | 29,491 |
| 1997 | 8,960 | 21,062 | 3,663 | 735 | 124 | | 34,544 |
| 1998 | 5,615 | 19,709 | 2,584 | 581 | 99 | 906 | 29,494 |
| 1999 | 4,006 | 17,681 | 3,291 | 617 | 87 | 4 | 25,686 |
| 2000 | 4,421 | 16,697 | 2,537 | 515 | 60 | | 24,230 |
| 2001 | 3,735 | 15,871 | 1,943 | 411 | 43 | 287 | 22,290 |
| 2002 | 2,936 | 17,125 | 2,680 | 682 | 46 | 405 | 23,874 |
| 2003 | 2,495 | 5,762 | 562 | 46 | 3 | | 8,868 |

Source: MOLSA (Various Issues).

Appendix 6: Number of job-seekers registered with the labour offices by level of Education

| Year | Educational attainment | | | | | | Total |
|------|------------------------|------------------|------------------|-------------------|----------------------|-----------|--------|
| | <i>Illiterate</i> | <i>Grade 1-6</i> | <i>Grade 7-8</i> | <i>Grade 9-12</i> | <i>> Grade 12</i> | <i>NS</i> | |
| 1995 | 2,529 | 10,984 | 8,911 | 45,982 | 3,104 | 31 | 71,541 |
| 1996 | 678 | 4,590 | 3,800 | 17,865 | 2,558 | | 29,491 |
| 1997 | 729 | 5,200 | 5,171 | 21,114 | 1,463 | 867 | 34,544 |
| 1998 | 724 | 4,413 | 4,072 | 18,041 | 1,355 | 889 | 29,494 |
| 1999 | 950 | 3,568 | 3,349 | 15,747 | 2,072 | | 25,686 |
| 2000 | 389 | 3,266 | 2,981 | 16,371 | 1,223 | | 24,230 |
| 2001 | 348 | 2,786 | 2,887 | 15,403 | 866 | | 22,290 |
| 2002 | 246 | 3,962 | 3,519 | 14,701 | 1,041 | 405 | 23,874 |
| 2003 | 88 | 1,109 | 1,529 | 5,770 | 364 | | 8,860 |

Source: MOLSA (various Issues).

Appendix 7: Number of Ethiopians permitted to work abroad by age group

| Age Group | 2001 | | 2002 | |
|-----------|--------|----------|--------|----------|
| | Number | Per cent | Number | Per cent |
| 15-19 | 132 | 6 | 334 | 7 |
| 20-24 | 1,362 | 57 | 2,614 | 52 |
| 25-29 | 745 | 31 | 1,627 | 32 |
| 30-34 | 136 | 6 | 334 | 7 |
| Above 35 | 24 | 1 | 106 | 2 |
| Total | 2,399 | 100 | 5,015 | 100 |

Source: MOLSA (2002, 2003)

Appendix 8: Profile of the Ethiopian population

| Description | Year | | | |
|--|-----------------|-----------------|-------------------|-------------------|
| | 1984 | 1994 | 1999 ¹ | 2005 ² |
| Total Population Size | 42,616,876 | 53,132,257 | 56,860,120 | 73,043,510 |
| • By Gender (in %) | | | | |
| - Male | 50 | 50 | 49 | 50 |
| - Female | 50 | 50 | 51 | 50 |
| • By Location (in %) | | | | |
| - Rural | 89 | 86 | 86 | 84 |
| - Urban | 11 | 14 | 14 | 16 |
| Size of Youth Population | 6,019,126 | 10,262,618 | 10,109,094 | 14,838,613 |
| <i>By Age</i> | | | | |
| • Teenagers (in %) | 3,391,576 (56%) | 6,001,024 (58%) | 5,905,268 (58%) | 7,883,892(53%) |
| • Young adults (in %) | 2,627,550 (44%) | 4,261,594 (42%) | 4,203,826 (42%) | 6,954,721(47%) |
| <i>By Location</i> | | | | |
| • Rural | 5,155,901 (86%) | 8,469,962 (83%) | 8,179,266 (81%) | 12,161,755(82%) |
| • Urban | 863,225 (14%) | 1,792,656 (17%) | 1,929,828 (19%) | 2,676,858(18%) |
| <i>By Gender</i> | | | | |
| • Female | 3,053,214 (51%) | 5,162,932 (50%) | 5,244,814(52%) | 7,302,318(49%) |
| • Male | 2,965,912 (49%) | 5,099,686 (50%) | 4,864,280(48%) | 7,536,295(51%) |
| Youth population/Total population (in %) | 14 | 19 | 18 | 20 |
| Proportion of married youth ³ | 52 | 32 | 35 | - |
| • Teenagers | 32 | 18 | 20 | - |
| • Young adults | 72 | 51 | 56 | - |
| Youth literacy rate | 39 | 38 | 38 | - |
| • Teenagers | 45 | 34 | 39 | - |
| • Young adults | 34 | 43 | 38 | - |

¹Data excludes some parts of Somali and Afar Regions.

²Projection by CSA.

³Including divorced and widowed youth.

Source: Compiled CSA (1991, 1999a, 1999b).

Appendix 9: Youth population literacy status – 1999

| Age Group | Percentage of Literate Youth Population by Level of Educational Attainment | | | | | | Illiterate |
|-----------------------------|--|-----------|------------|-------------------|----------------|--------------|------------|
| | Non-formal | Grade 1-8 | Grade 9-11 | Grade 12 complete | Beyond Grade12 | All Literate | |
| <i>Teenagers (15-19)</i> | 2 | 31 | 5 | 1 | 0 | 39 | 61 |
| Female | 1 | 23 | 5 | 1 | 0 | 29 | 71 |
| Male | 3 | 39 | 5 | 1 | 0 | 48 | 52 |
| <i>Young Adults (19-24)</i> | 2 | 25 | 5 | 4 | 1 | 38 | 62 |
| Female | 1 | 18 | 4 | 4 | 1 | 28 | 72 |
| Male | 4 | 33 | 6 | 5 | 1 | 49 | 51 |
| <i>All Youth (15-24)</i> | 2 | 28 | 5 | 2 | 1 | 38 | 62 |
| Female | 1 | 21 | 4 | 2 | 1 | 29 | 71 |
| Male | 4 | 37 | 5 | 2 | 1 | 49 | 51 |

Source: Compiled from CSA (1999).

Appendix 10: Recent trends in gross enrolment ratios in Ethiopia

| Gross Enrolment Ratios | Year | | | | | | | | |
|------------------------|------|------|------|------|------|------|------|------|------|
| | 1995 | 1996 | 1997 | 1998 | 1999 | 2000 | 2001 | 2002 | 2003 |
| Primary Education | 26.2 | 30.1 | 34.7 | 41.8 | 45.8 | 51.0 | 57.4 | 61.6 | 64.4 |
| Secondary Education | 6.6 | 8.1 | 8.4 | 11.3 | 12.4 | 12.8 | 14.1 | 17.1 | 19.3 |

Source: Ministry of Education (MoE) (2003).

Appendix 11: Activity rates of the youth population in Ethiopia

| Age/Gender | Year | | |
|----------------------------|-------|-------|-------|
| | 1984 | 1994 | 1999 |
| 15-19 | | | |
| Female | 54.90 | 63.90 | 63.18 |
| Male | 63.60 | 74.77 | 73.49 |
| Total | 59.30 | 69.39 | 68.35 |
| 20-24 | | | |
| Female | 60.10 | 69.35 | 72.78 |
| Male | 80.60 | 88.24 | 89.99 |
| Total | 69.70 | 78.49 | 80.57 |
| 15-24 | | | |
| Female | 57.25 | 66.03 | 67.40 |
| Male | 70.67 | 79.97 | 79.94 |
| Total | 63.83 | 72.95 | 73.43 |
| All Age groups (>10 years) | | | |
| Female | 55.49 | 62.90 | 62.18 |
| Male | 79.20 | 82.11 | 80.37 |
| Total | 67.20 | 72.52 | 71.07 |

Source: Extracted from CSA (1991, 1999a, 1999b).

Appendix 12: Activity rate of the youth: Rural vis-à-vis urban areas

| Age | Year | | | | | | | | |
|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| | 1984 | | | 1994 | | | 1999 | | |
| | Rural | Urban | Both | Rural | Urban | Both | Rural | Urban | Both |
| 15-19 | 66.60 | 28.70 | 59.30 | 76.38 | 33.97 | 69.39 | 75.44 | 38.28 | 68.35 |
| 20-24 | 72.40 | 54.50 | 69.70 | 81.50 | 63.46 | 78.49 | 83.52 | 68.07 | 80.57 |
| 15-24 | 69.20 | 38.36 | 63.83 | 78.49 | 46.64 | 72.95 | 78.80 | 50.68 | 73.43 |

Source: compiled from CSA (1991, 1998 1999).

Appendix 13: Total and youth labour force size in Ethiopia

| Age group | Labour force size by year | | | Average rate of growth per annum (in %) | |
|-----------------------------|---------------------------|------------|-------------------|---|-----------|
| | 1984 | 1994 | 2005 ¹ | 1984-1994 | 1984-2005 |
| All = 15 years old | | | | | |
| Female | 5,343,319 | 9,743,784 | 14,136,893 | 8 | 8 |
| Male | 7,553,289 | 12,830,512 | 18,249,749 | 7 | 7 |
| Total | 12,896,608 | 22,574,296 | 32,244,040 | 8 | 7 |
| All youth (15-24) | | | | | |
| Female | 1,429,217 | 3,408,444 | 4,921,762 | 15 | 11 |
| Male | 1,697,031 | 4,070,035 | 6,024,514 | 15 | 11 |
| Total | 3,126,248 | 7,478,479 | 10,895,994 | 15 | 11 |
| Teenagers (15-19) | | | | | |
| Female | 752,492 | 1,889,761 | 2,452,783 | 12 | 13 |
| Male | 893,556 | 2,258,200 | 2,940,833 | 13 | 14 |
| Total | 1,646,048 | 4,147,961 | 5,388,640 | 13 | 13 |
| Young adults (20-24) | | | | | |
| Female | 676,725 | 1,518,683 | 2,489,152 | 14 | 12 |
| Male | 803,475 | 1,811,835 | 3,180,802 | 14 | 12 |
| Total | 1,480,200 | 3,330,518 | 5,603,419 | 14 | 12 |

¹ The figures for these years are estimated based on population projections for the year and on the activity rates for 1999. As the labour force survey of 1999 does not cover some parts of particularly the Somali and Afar Regional States, the estimates for the year understates the actual size of the labour force. Hence to estimate a more realistic labour force size for a more recent year, the activity rates for 1999 are applied to the population projections of 2005 assuming that the activity rates remain the same between 1999 and 2005.

Source: CSA (1991, 1999a, 1999b).

Appendix 14: Reasons for being economically-inactive among the youth population

| Reasons | Percentage of the Inactive Youth by Year | |
|------------|--|------|
| | 1994 | 1999 |
| Student | 46.3 | 52.9 |
| Homemakers | 40.5 | 37.1 |
| Disabled | 1.6 | 0.8 |
| Others | 11.6 | 9.2 |
| Total | 100 | 100 |

Source: CSA (1999a, 1999b).

Appendix 15: Summary statistics of unemployment in Ethiopia

| Description | 1984 | 1994 | 1999 ¹ |
|---|---------|---------|-------------------|
| Total Unemployment | | | |
| - No. of Unemployed People | 169,621 | 770,842 | 2,198,789 |
| - Unemployment Rate (in %) | 1.15 | 2.91 | 8.06 |
| Youth Unemployment (15-24 year olds) | | | |
| - No. of Unemployed People | 73,173 | 398,615 | 946,036 |
| - Unemployment Rate(in %) | 2.34 | 5.33 | 11.97 |
| Teenage Unemployment (15-19 year olds) | | | |
| - No. of Unemployed People | 41,959 | 179,447 | 493,576 |
| - Unemployment Rate(in %) | 2.55 | 4.33 | 11.36 |
| Young Adults Unemployment (20-24 year olds) | | | |
| - No. of Unemployed People | 31,214 | 219,168 | 452,460 |
| - Unemployment Rate(in %) | 2.11 | 6.58 | 12.72 |
| Youth Unemployment (15-29 year olds) | | | |
| - No. of Unemployed People | 88,835 | 519,925 | 1,260,177 |
| - Unemployment Rate(in %) | 1.88 | 4.92 | 9.01 |

¹This survey does not covers some parts of the Somali and Afar Regional States and hence underestimates the absolute figures of unemployment, but provides an important insight into the rate of unemployment.

Source: CSA (1984, 1999a, 1999b).

Appendix 16: Unemployment rates by gender for the labour force as a whole and youth

| Description | 1984 | 1994 | 1999 |
|--|-------|-------|-------|
| <i>Unemployment for all working age groups</i> | 1.15 | 2.91 | 8.06 |
| Female | 1.40 | 3.09 | 12.49 |
| Male | 0.97 | 2.77 | 4.36 |
| <i>Youth Unemployment Rate</i> | 2.34 | 5.33 | 11.97 |
| Female | 2.90 | 5.97 | 17.32 |
| Male | 1.87 | 4.79 | 6.85 |
| <i>Urban Youth Unemployment Rate</i> | 16.76 | 38.06 | 37.46 |
| Female | 18.09 | 39.80 | 43.66 |
| Male | 15.28 | 36.37 | 29.40 |

Source: Compiled from CSA(1991,1999a, 1999b).

Appendix 17: Percentage of unemployed youth by educational level 1999

| Educational level of unemployed youth | 1999 | |
|---------------------------------------|-------------|------------------|
| | Total youth | Urban youth only |
| Illiterate | 44.46 | 11.80 |
| Primary Education (Grade 1-8) | 32.61 | 44.10 |
| Grade 9-11 | 10.29 | 20.10 |
| Grade 12 complete | 11.70 | 22.12 |
| Beyond Grade 12 | 0.92 | 1.86 |
| Total | 100.00 | 100.00 |

Source : CSA (1999b).

Appendix 18: Duration of urban unemployment in 2002

| Duration | Unemployed teenagers (%) | Unemployed young adults (%) | All unemployed (%) |
|-------------------|--------------------------|-----------------------------|--------------------|
| 1 - 6 months | 41.50 | 29.43 | 32.68 |
| 7-12 months | 25.29 | 18.65 | 18.14 |
| 1-2 years | 18.04 | 22.03 | 16.36 |
| More than 2 years | 13.58 | 28.52 | 31.34 |

Source: Compiled from CSA (2003).

Appendix 19: Percentage of employed persons/youths according to hours worked per week

| Number of hours worked per week | Year/Percentage of employed persons/youths | | | | | |
|----------------------------------|--|---------------------|-----------------------|-----------------------|----------------------|-----------------------|
| | 1999 | | | | 2003 | |
| | All persons employed | All employed youths | Employed urban youths | Employed rural youths | All persons employed | Employed urban youths |
| Less than 12 hrs | 33.86 | 34.21 | 19.26 | 36.09 | 10.2 | 10.55 |
| 13-21 hrs | 20.34 | 20.92 | 12.45 | 21.99 | 8.4 | 8.42 |
| 22-30 hrs | 16.09 | 16.13 | 11.59 | 16.70 | 9.6 | 10.86 |
| 31-39 hrs | 10.37 | 9.80 | 11.02 | 9.65 | 13.5 | 10.35 |
| 40-48 hrs | 7.81 | 7.41 | 16.24 | 6.30 | 22.5 | 17.52 |
| More than 49 hrs | 11.54 | 11.53 | 29.44 | 9.28 | 35.8 | 42.13 |
| Total | 100 | 100 | 100 | 100 | 100 | 100 |
| Mean No. of hrs. Worked per week | 23.3 | 23.05 | 36.80 | 21.25 | 43.0 | 44.15 |

Source: Calculated from CSA (1999b, 2003).

Appendix 20: Credit facilities provided to MSEs in 2004

| Region | Credit Amount in Birr | Number of Beneficiaries |
|------------------|-----------------------|-------------------------|
| Addis Ababa | 44,062,450 | na |
| Amhara | 10,929,369 | 22,000 |
| Tigray | 33,028,216 | 7,225 |
| Oromia | 5,730,171 | na |
| Southern Peoples | 12,556,800 | 1,000 |
| Dire Dawa | 3,938,642 | 1,157 |
| <i>Total</i> | <i>110,245,648</i> | <i>31,382</i> |

Source: FMSEDO (2004a)

Appendix 21: Working space prepared and accorded to MSEs in 2004

| Region | Area of Space Provided (in M ²) | Number of Beneficiaries |
|------------------|---|-------------------------|
| Addis Ababa | 222,299 | 37,554 |
| Amhara | 245,812 | 6,507 |
| Tigray | 19,212 | 6,303 |
| Oromia | 199,730 | 718 |
| Southern Peoples | 285,700 | 8,364 |
| Dire Dawa | 72,964 | 2,971 |
| <i>Total</i> | <i>1,045,717</i> | <i>62,417</i> |

Source: FMSEDO (2004a)

Appendix 22: Total and youth labour force size in Ethiopia

| Age Group | Labour force size by year | | | Average rate of growth per annum (in %) | |
|----------------------|---------------------------|------------|-------------------|---|-----------|
| | 1984 | 1994 | 2005 ¹ | 1984-1994 | 1984-2005 |
| All = 15 years old | | | | | |
| Female | 5,343,319 | 9,743,784 | 14,136,893 | 8 | 8 |
| Male | 7,553,289 | 12,830,512 | 18,249,749 | 7 | 7 |
| Total | 12,896,608 | 22,574,296 | 32,244,040 | 8 | 7 |
| All youth (15-24) | | | | | |
| Female | 1,429,217 | 3,408,444 | 4,921,762 | 15 | 11 |
| Male | 1,697,031 | 4,070,035 | 6,024,514 | 15 | 11 |
| Total | 3,126,248 | 7,478,479 | 10,895,994 | 15 | 11 |
| Teenagers (15-19) | | | | | |
| Female | 752,492 | 1,889,761 | 2,452,783 | 12 | 13 |
| Male | 893,556 | 2,258,200 | 2,940,833 | 13 | 14 |
| Total | 1,646,048 | 4,147,961 | 5,388,640 | 13 | 13 |
| Young adults (20-24) | | | | | |
| Female | 676,725 | 1,518,683 | 2,489,152 | 14 | 12 |
| Male | 803,475 | 1,811,835 | 3,180,802 | 14 | 12 |
| Total | 1,480,200 | 3,330,518 | 5,603,419 | 14 | 12 |

¹ Figures for 2005 are estimated.

Source: CSA (1991, 1999a, 1999b).

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